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BUSINESS WEEK

BUSINESS
INDICATOR



BREAKING GROUND—With wheat at an eight year high and all the world buying, the grain trade keeps a watchful eye on spring planting.

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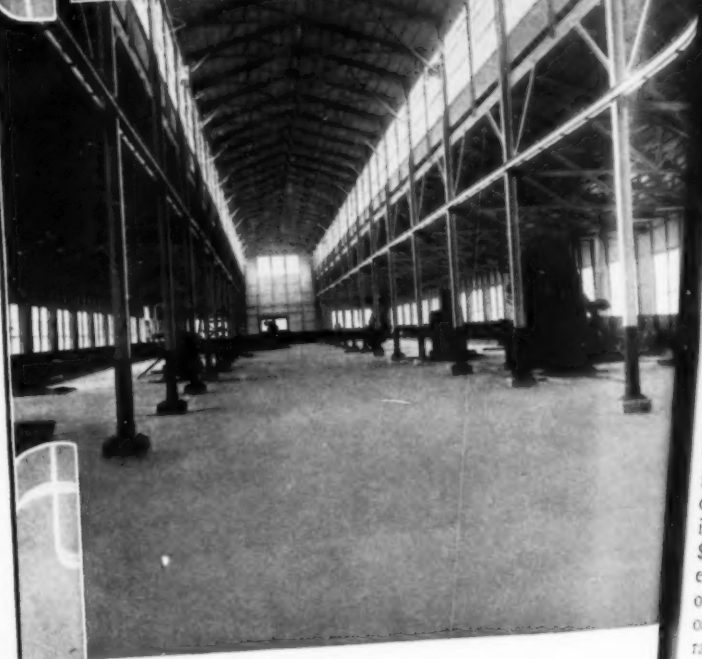
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It's high time that full honor be given this famous Truscon coupon! Year after year, it starts action to help others arrive at a satisfactory and economical solution to many problems of building construction, plant expansion and modernization. • Right now, YOU may be facing a complex building problem. A Truscon Standard Building may provide all the answers. Economy... speed of erection... fire-safety... low maintenance cost... resistance to rust, corrosion and wear... weather-tight, storm-proof, warp-free... permanent and yet easy to dismantle and re-erect with almost complete salvage value! Those are a few of the many important advantages of Truscon Standard Buildings. • If you dislike coupons... write us a letter. But please furnish the information indicated in the famous Truscon coupon.



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New Business

SUGAR may be the entering wedge by which the United States will open new export markets. The State Department, backing extension of the quota system on sugar imports, drops a clew. Sec. Hull urges that deficiencies, resulting from the failure of some offshore producer to deliver his full quota, be allotted to some other foreign country. These "other foreign countries" are some of the Central American republics which would like to have reciprocal trade treaties if they could sell us some sugar, more coffee, etc.

"It was a sober group of Glen Cove farmers and business men," says Glen Cove *Echo* of Glen Cove, Long Island, "that met February 6, 1836 . . . to discuss the Great Fire of New York City which had destroyed 700 buildings and had resulted in \$18,000,000 damage to the growing city . . . 14 out of 25 insurance companies were in financial difficulties as the result of fire losses." Upshot was the formation of Glen Cove Mutual Insurance Co. which was 100 years old, Mar. 29. Weathering panics and currency troubles, pioneering fire prevention services, paying fire losses and dividends totalling \$3,546,679, this canny little company enters its second successful century with over \$40,000,000 of insurable property on its books and a noteworthy low loss ratio.

THREE major shows will draw top executives and buyers in three important industries to three points next week: National Lumber Manufacturers, Mayflower Hotel, Washington, D. C., Apr. 5-6; Southern Textile Exposition, Greenville, S. C., Apr. 5-10; American Toy Fair, McAlpin Hotel, New York, Apr. 5-17.

NATIONAL LUMBER MANUFACTURERS ASSOCIATION will be prepared to orient convention visitors with its new and informative fact-book, "Charting the American Lumber Industry," obtainable by non-attendants at N.L.M.A. headquarters, Washington, D. C.

ROBUST health continues to mark the farm as a consumer market, and federal benefit payments promise to continue their tonic effect. Not only is the farmer's income from marketing of

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NOISE

FINES YOU 10% OF EVERY OFFICE PAYROLL

How One Finance Company Ended Costly Errors—Increased Office Production—By Hushing Noises

YOU pay a 10% penalty on every payroll—buy 5 weeks' work per year that you never get—because of routine office noises you take for granted! Because of telephones, voices, typewriters, footsteps!

Yet you can hush those noises easily—and avoid that 10% "fine"—by quieting your offices with Acousti-Celotex. One finance company did it—and cut costly errors from a dozen a month to none! Another company stepped up production in one office by 15%!

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Let a Celotex acoustical expert tell you

honestly, without obligation, where Acousti-Celotex will save money in your offices, and what the installation will cost! Mail the coupon now for a free survey—and the free booklet, "NOISE."

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Pittsburgh Plate Glass Co.
Shell Union Oil Corp.
20th Century-Fox Film Corp.
Union Carbide & Carbon Corp.

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Rx Drink 6 to 8 glasses
of cooled water
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DO YOU DRINK enough water during the day? A tired, sluggish mind and body often result from unintentional water starvation. For robust health and top efficiency try the drinking water cure. Your physician advises it. Your life insurance company recommends it. A General Electric Water Cooler in your office will give you and your associates a constant, convenient supply of cool, delicious, healthful drinking water for mere pennies a day.

New low-priced G-E office models are within easy reach of any budget; provide the world's lowest cost water cooler service. Beautifully styled, with new G-E features that insure an even greater measure of long-life performance at lowest operating cost.

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G-E makes a complete line of bottle water and city water coolers—faucet and bubbler types—for every office, factory and mill requirement.

GENERAL ELECTRIC Water Coolers

produce running well ahead of last year (up 12% in February) but government payments were \$43,000,000 in January and \$53,000,000 in February. There remains \$350,000,000 to be paid on 1936 soil conservation contracts—a possible \$50,000,000 a month through September, and by October payments should begin under 1937 agreements.

TRADE names have life cycles. The first stage involves building up recognition. The second stage involves acceptance and a certain amount of popularity. That's the extent of the average trademark owner's ambition, but some trade names, like kodak, celluloid, and cellophane, are such naturals that they succeed almost too well and develop rapidly into generic household terms, stripped of proprietary identity. Celluloid Corp. went through this experience with its original product and it's ready to apply the brakes, if need be, to any of its too-successful new trade names. Meanwhile, it is relishing the record established by its Protectoid transparent wrapping material. Last week four of the winners in the American Management Association's competition exhibited in New York used Protectoid. In two other contests this winter Protectoid packages carried off six other prizes.

New twists on profit-sharing appear in a plan being adopted by Roxalin Flexible Lacquer Co., Elizabeth, N. J. Seven key men will receive recognition gifts of Class B stock. Future profits will be divided quarterly by dividends to Common and Class B holders plus wage dividends to all other workers.

CHANGING the package design of an old and established product frequently involves many a headache, but the Cortland (N. Y.) Baking Co. and Corning (N. Y.) Baking Co. sidestepped them all by double-wrapping their bread for a few days: new wrap inside, old outside. Customers caught on quickly.

ANIMAL husbandry note: Dunlop Rubber Co., Ltd. proposes to manufacture rubber boots for sheep in its new factory now under construction at Liverpool, England. Boots will offer protection against "foot rot."

IN life's eternal contest, Blondes vs. Brunettes vs. Titians, redheads lead in general sales ability, though blondes enjoy current demand as brighteners-uppers for the first floors of department stores, and brunettes join their ranks as the need arises, according to the Labor Placement Bureau of the State of New York, which aided 198,000 persons in securing jobs during the past year.

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Sitdown

C.I.C. House

Washington Bulletin

WASHINGTON (*Business Week Bureau*)—President Roosevelt plans to call an international conference avowedly for peace and incidentally to obtain currency stabilization, when and if the sparks from the Spanish revolt stop flying around Europe's powder barrels. The big powers shy away from a mere "economic" conference, remembering Roosevelt's unwillingness to go along with their ideas in London, 1933. But they are so anxious for something to maintain peace—at least until they really get ready to fight—and they are so desperately eager to obtain currency stabilization, especially if they can thus obtain an advantage over some competitor, that word has come back from several capitals, quite unofficially, that they would be willing to participate in a conference.

Peace Plan Uppermost

The President has several motives. The prime motive is not what Europe figures—currency stabilization. It is his eagerness to accomplish what he hinted in last summer's trial balloon—to bring about a conference of the present dictators and remove the dangers of war. He is very confident of his persuasive ability at the conference board. Confident also that he is more "hard-boiled" than was Woodrow Wilson and hence would not make the mistakes that Wilson did either at Versailles or at home afterwards.

Then Stabilization

Currency stabilization is, however, a very close second among the motives actuating the President. He has considered all sorts of schemes to correct present currency distortions and is much worried about the inflation threat. He has considered marking up the price of the dollar in gold, or reducing the price of gold per ounce in dollars. One figure considered was \$32 an ounce. Another was \$30 an ounce. Both brought vigorous opposition from Secretary of the Treasury Morgenthau. Such a move would cut sharply into paper profits long since regarded as "cash" on original devaluation—two billion dollars of which is now in the Stabilization Fund and all of which figures on the black ink side of Treasury ledgers. The President agrees heartily with this objection to marking down the price of gold, in dollars, in order to get the dollar up in relation to other currencies, would only try it if he could approve no other plan and perhaps not even then.

Sitdown Intervention Unnecessary

C.I.O.'s contact with the White House this week, through Sidney

COURTING FIVE

Five votes to go is the present claim of senators opposing President Roosevelt on his Supreme Court enlargement proposal. They now claim to have 44 who cannot be "bought, cajoled or intimidated." Forty-nine is a majority. The Administration's research department, digging up old quotations of Borah, Glass, and other recalcitrants, is just making the "battalion of death" madder. The prospect still remains that the fight will drag on until July or August, with each side claiming that time is working for it.

Hillman of the Textile Workers Organizing Committee, is regarded in Washington as having resulted in an understanding that the President can safely keep hands off of the sitdown situation with assurance that the Lewis organization will put some restraint on the use of this weapon.

Looking for Price Brakes

Roosevelt is just as anxious to act soon to check the rise of prices as he was to boost them in 1933 and 1934. The Administration figures that the prices of many commodities, especially cotton, wheat, lead, zinc, and steel have risen plenty to provide satisfactory profits, that a further rise would throw many things out of gear and result in many undesirable complications, of which the rising cost of living, strikes, and labor disturbances are most obvious.

State Laws "Not Enough"

Why not go the whole hog? This is Roosevelt's attitude toward state minimum wage laws for women and minors upheld by the Supreme Court. The President sees some hope for the future in the fact that their constitutionality was affirmed by justices who have ascended to the bench since the same laws were thrown down in 1923 by the present minority. But

he still holds that state laws are not enough and, because he is straining every effort to get a federal law and protect it by a friendly Court, he made little of the liberal element that pushed its way to the top in the Court this week.

New Era?

Whatever the outcome of Roosevelt's battle to enlarge the Court and whatever may happen to legislation that will follow, designed to advance labor's welfare and accomplish other social aims, a much more social-minded interpretation of the Constitution is a fact today. The strictures placed on "due process" as protection for the right of contract, the affirmative ratification of labor's right to collective bargaining, and the definition of majority rule as a majority of the employees voting forecast eventual dominance of new social influences, even though the Court does not give them full sweep immediately by a broader definition of interstate commerce in ruling on the Wagner Labor Relations Act.

Bargain

Sen. Norris has apparent assurance of White House support for his proposed bill to establish regional development of flood-control, navigation, and power projects throughout the country. Among the first to condemn the President's Court plan, the father of TVA will vote for it "if we can't get anything better."

Can Stay at Work

Likely amendment of the Social Security Act will permit old-age benefit credits to accrue to the account of workers continuing in employment after reaching the age of 65. This provision is intended to give greater benefit of the law to present active workers of ripe age.

What Tugwell Missed

Perhaps Rex Tugwell got out of the government too soon. The Reconstruction Finance Corp. is actually toying with the idea, under its flood relief law, of moving the entire city of Portsmouth, O., back from the danger zone. Smaller towns on low land abutting the Mississippi also are candidates for "resettlement."

Bonneville Program

The Senate bill for disposition of Bonneville Dam power, about to be introduced by Sen. McNary, will conform substantially with the measure now in the hands of the House committee. Northwest senators, peeved at Rep. Martin Smith for jumping the gun by introducing his bill before release of Ickes committee's report, would like to change the pattern but



Baltimore branch of the Federal Reserve Bank of Richmond, Baltimore, Md.

MODERNIZE HEATING IN FEDERAL RESERVE BANK

Baltimore Bank, Constructed in
1927, Improves Service with
Webster Moderator System

DISTRICT STEAM SERVICE

Baltimore, Md.—That heating systems sometimes become obsolete before they become old was demonstrated in the five-story building which houses the Baltimore branch of the Federal Reserve Bank of Richmond.

When constructed in 1927, the Federal Reserve Bank building was modern in every detail. In 1936, only eight years later, the rapid developments in heating science made the application of Webster Central Control a necessary step in keeping the heating system up-to-date.

With the Webster Moderator System, steam is delivered continuously to all radiators without excessive heating, thus correcting the distribution weakness of the old installation.

The need for a central heating control responsive to outdoor weather conditions has been met by an Outdoor Thermostat, which adjusts the steam supply automatically with every change in weather or wind direction. A manual Variator permits the operator to modify the effect of the thermostat.

"The Webster Moderator System has enabled us to maintain uniform, adequate temperatures throughout the building," says F. W. Wrightson, Assistant Cashier.

"There has been a noticeable improvement in the cleanliness of our building since the introduction of district steam service. This means better heating service."

The Baltimore Heat Corporation acted as modernization heating contractors.

Use of district steam for heating was authorized because of its economy and dependability in combination with the Webster Moderator System.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating Branches in 60 principal U. S. Cities—Estab. 1888

can't do so without straying from the committee's recommendations—and that would mean trouble with the White House.

Beg Pardon, Ambassador

Would-be chicken farmers with Soviet sympathies might look into what appears a good opportunity. At present all embassies and legations in Moscow are supplied with fresh eggs by diplomatic couriers, who bring them from Warsaw—800 miles. In fact all embassies except that of the United States receive much of their food supply by courier. Which makes the jokes about Ambassador Joe Davies taking frozen goods to the Soviet capital not so hot, but positively has nothing to do with his wanting a vacation back home after a month's arduous duties at the embassy.

No Relief on Relief

No fundamental change is planned in the Administration's work relief program. There is some opposition in Congress and the states to accepting Harry Hopkins' Works Progress Administration as the exclusive and permanent method of coping with the problem but contrary sentiment is not organized. Plans to thrust the burden back on the states or to set up relief on some new fund-matching basis essentially different from the system in vogue for the past few years just aren't in the picture.

Unstable Base for Planning

WPA is criticized for permitting wide variation in state and local contributions and interfering with effective work planning. Under its policy of spending only what is necessary, local sponsors frequently are left holding the bag on projects previously approved and in course of construction either because the number of workers eligible for relief has dropped or because an arbitrary limit, regardless of need, is placed on funds allotted to a particular state or locality.

Plan for Bankrupt Cities

Sponsors of the municipal bankruptcy bill that the House Judiciary Committee will report next week hope that it will command one vote—the vote needed to reverse the 5-4 decision by which the Supreme Court declared the previous law to be an unconstitutional invasion of states' rights. To accomplish this end, the bill substitutes an adjustment plan for the requirement in the old law that a bankrupt municipality virtually throw itself on the mercy of the court. It provides that a city, together with all the creditors which can be reached, shall seek agreement

on composition of its debt and submit that agreement for court approval in an equity proceeding. No trouble is seen in pushing the bill through Congress. Municipal concern has subsided with improvement in public finances, but bondholders, fearful of unseasonable repudiation, are alert and Rep. Wilcox's efforts on behalf of the legislation testifies to Florida's interest.

Calling Britain's Hand

An international textile labor conference is meeting here this week. The plot runs something like this: When a 40-hour-week agreement was proposed at Geneva last year, Britain demurred—principally because British industry can't go on a 40-hour week unless Japan goes along. And Japan, which has virtually no unemployment to absorb, doesn't want a 40-hour week. Now, however, with high tariffs pinching Japan's big markets in India and the Philippines, the Nipponese come to the conference with a bargaining proposal that challenges Britain's objection to an international agreement—the 40-hour week in exchange for export market quotas.

Housing, Tenancy Are Stuck

Prospects of housing legislation this session are fading rapidly. Sen. Wagner's slum clearance bill, tentatively scheduled for hearings next week, will face strong opposition from those who claim that the bill fails to reconcile its purposes with means of financing them. Budget-makers urge a similar objection against the Jones farm tenancy bill which now has died of discord anyway in the House Agriculture Committee. The President has taken a hand at straightening out the tenancy tangle, and his interest may revive the measure, though the most that can be expected is an experimental program—at some future time.

Conference—or Lecture?

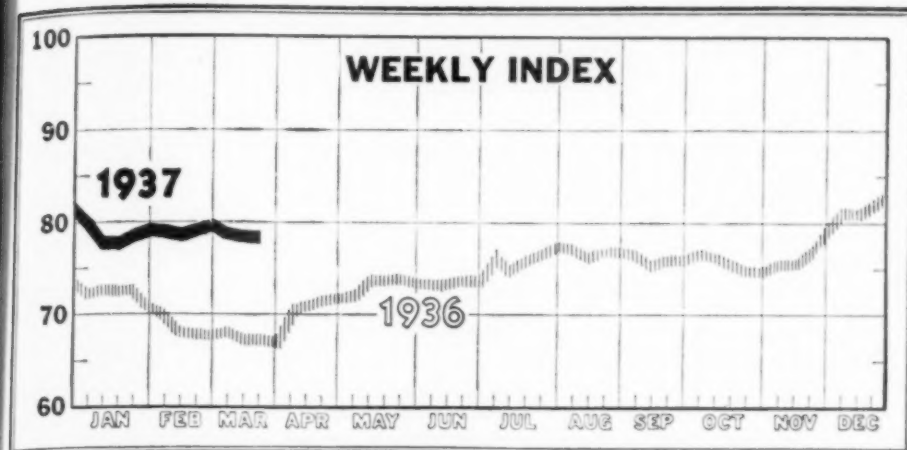
Madame Perkins is a highly loquacious lady at the conference table, according to ear-worn listeners, which include fellow cabinet members, New Dealers, and John L. Lewis—not to mention a number of business men. Result: a recent luncheon conference involving half a dozen departments and bureaus was held at Metropolitan Club—only place in town where Perkins couldn't attend. At cabinet meetings her colleagues do not dare interrupt her. Way back in '33 a few tried it and were so thoroughly spanked they have been gun-shy ever since. The President is now the only one who ever interrupts her, and he does not venture often.

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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*79.0
Preceding Week	79.1
Month Ago	79.9
Year Ago	67.7
Average 1932-36	60.4

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	90.7	89.6	85.8	62.0	38.0
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$8,400	\$8,493	\$9,825	\$7,318	\$4,481
Engineering Construction Awards (<i>Engineering News-Record</i> , 4-wk. daily av.)	\$6,639	\$6,817	\$8,176	\$6,664	\$3,983
*Bituminous Coal (daily average, 1,000 tons).....	*1,861	1,867	1,791	939	1,216
*Electric Power (million kw.-hr.).....	2,200	2,211	2,207	1,867	1,633

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	127	125	119	95	95
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	81	80	76	66	62
*Check Payments (outside N. Y. City, millions).....	\$4,836	\$5,045	\$4,115	\$3,617	†\$3,156
*Money in Circulation (Wednesday series, millions).....	\$6,375	\$6,385	\$6,372	\$5,837	\$5,701

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.41	\$1.37	\$1.33	\$1.02	\$.76
Cotton (middling, New York, lb.).....	14.88¢	14.60¢	13.46¢	11.64¢	9.56¢
Iron and Steel (Steel, composite, ton).....	\$40.13	\$40.10	\$36.95	\$33.13	\$30.83
Copper (electrolytic, Connecticut Valley basis, lb.).....	16.375¢	16.250¢	15.000¢	9.250¢	7.550¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	226.4	222.3	209.8	169.7	127.3

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	4.42%	4.40%	4.27%	4.26%	5.28%
Interest Rates—Call Loans, Renewal, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	.75%	1.67%
Interest Rates—Prime Commercial Paper, N. Y. City (4-6 months).....	.75-1%	.75%	.75%	.75%	1.90%
Business Failures (Dun and Bradstreet, number).....	189	193	166	194	332

BANKING (Millions of dollars)

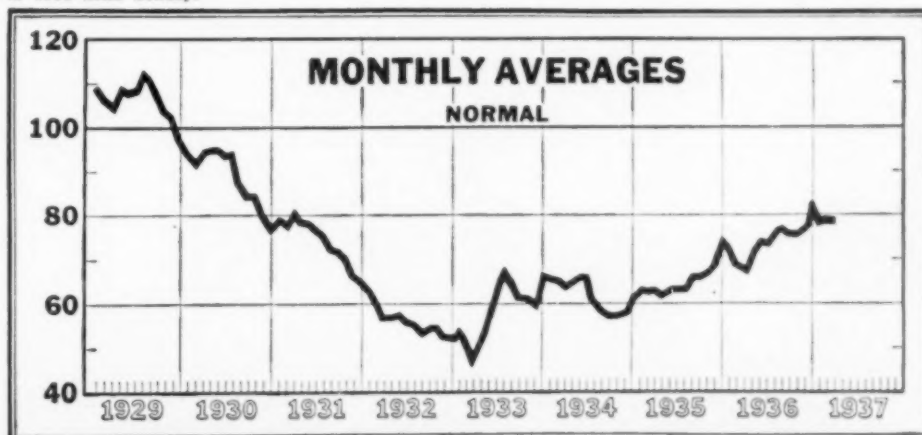
	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,463	2,450	2,460	2,485	2,399
Excess Reserves, all member banks (Wednesday series).....	1,270	1,450	2,097	2,315	1,194
Total Loans and Investments, reporting member banks.....	22,560	22,698	22,675	21,611	19,196
Commercial Loans, reporting member banks†.....	4,829	4,816	4,633	3,844	#
Security Loans, reporting member banks.....	3,367	3,368	3,272	3,210	3,862
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	9,901	10,041	10,303	10,124	#
Other Securities Held, reporting member banks.....	3,312	3,320	3,318	3,283	#

*Factor in Business Week Index. *Preliminary. †Revised. ‡New Series, Excluding Real Estate Loans. §Not Available.

†Estimate based on 4 years, due to 1933 bank holiday.

These monthly averages are merely simple averages of each month's weekly figures of *Business Week's* index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

The Weekly Index of Business Activity is covered by the general copyright on the contents of *Business Week* and may not be reproduced without special permission.



A filing clerk writes her boss!

Dear Mr. Jones:

I know you haven't time to waste on filing but I wonder if you realize our present situation.

All our filing cabinets are jammed. Only yesterday one of your vice-presidents lost half-an-hour because we couldn't find a letter.

We want to give you service. But we can't unless you give the department an overhauling, just as you've overhauled accounting, sales and factory since business picked up.

How much will it cost? We'd probably save money! All we have to do is call in the Remington Rand man.

President
Accuracy Mfg. Co.
U. S. A.

MAIL
COUPON
NOW

OK...it's from **Remington Rand**

Remington Rand Inc., Dept. G-241
465 Washington Street, Buffalo, N. Y.
Without obligation, please send new book, "What
Filing Costs," and tell me how to modernize my filing
system.

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The Business Outlook

FROM all current indications, business in the second quarter is likely to be as good as that in the quarter just closed—perhaps better. Despite floods and strikes, factory and mine output in the first three months of 1937 hit the highest levels since 1929 and was 20% above that of a year ago. Rising wholesale and retail prices, feverish activity in steel, motors, construction, and durable goods generally, and expanding freight and passenger traffic—land, sea and air—may be expected.

Prices Hit New Levels

The past week witnessed new high prices in the recovery move for wheat, cotton, corn, copper, and rubber; Goodyear's stockholders were warned of higher tire prices if rubber continued to press upward. Rayon yarn prices also advanced, with duPont showing the way; phenomenal spring business has virtually wiped out the industry's stocks. As for food, governmental agricultural experts hold no hope that the house-holders' bills will be shaved a bit this year. Incidentally, some steel and machine tool concerns are taking new business on a "price prevailing when delivered" basis.

Lewis Notwithstanding

John L. Lewis' preoccupation with the wage and hour agreement in the bituminous coal industry left the Chrysler negotiations on the unfinished business list. But despite the absence of Chrysler and a number of other smaller producers from the month's production figures, totals for March and the full first quarter will surpass those of 1936. The first two months' output ran 15% ahead of comparable months of 1936. April now looms as the year's biggest production period, with assemblies likely to run well ahead of the more than 500,000 cars produced in April, 1936.

Benefits Swell Farm Purse

Substantial benefit payments to farmers in February helped offset the decline in income from marketings, with the result that total cash income for the first two months was nearly 14% greater than last year. Since October, \$120,000,000 of agricultural conservation benefits have been distributed to farmers, and \$350,000,000 remains to be parcelled out during 1937.

Private Construction Zooms

That the weekly average of construction contracts awarded in the first quarter of 1937 fell slightly below the comparable record for 1936 comes as something of a surprise, but the decline conceals the really

ADVERTISING CENSUS

Advertising men learned a lot about their own business when the first census of agencies was reported this week. The 1,212 agencies reporting placed close to \$500,000,000 of advertising; 15 companies with billings of \$5,000,000 or more accounted for 44% of all advertising done. Slightly more than 54% of all advertising placed was done by agencies in New York City. Newspapers received 38% of the half billion dollar volume; magazines, 27%; radio, 16%; trade papers, 4%; car cards, outdoor and window display, 6%; and direct mail, 1%. Executives rated \$147 a week in salary; other employees, \$42 a week.

cheerful fact that private construction has been gaining at the expense of public activity. This year, 49% of all contracts recorded by *Engineering News-Record* represented private undertakings, while a year ago, only 31% were in this category. Private construction so far this year is running 96% ahead of 1936; public works have shrunk 38%.

Lumber Orders Exceed Output

The lumber industry has been beset with shipping and weather difficulties, particularly on the West Coast. Only in recent weeks has production surpassed that of last year, while shipments and new orders have run well ahead of current output. Orders on hand on the Coast are running seven or eight times above current weekly output; some mills are actually faced with shutdowns due to the dwindling log supplies.

Sales Spurt

Manufacturers and wholesalers in widely different fields continue to report sales well above those of a year ago, with the durable goods producers and distributors heading the list. Gains of 25% for 557 manufacturers and of 17% for 1,100 wholesalers

over February of a year ago show how the wind is blowing. Non-ferrous metal producers lead the parade with a 65% advance; other gains include 62% for forest products; 61% for stone, clay and glass; and 56% for motor-vehicle parts. Among wholesalers, plumbing wares are tops with 60%, followed by jewelry with 45%, electrical goods with 35%.

Retail Demand Is Uniform

The record of retail sales among independent stores in states for which figures are available reflects remarkable similarity in the type of goods that has been moving especially well in recent months; furniture, jewelry, hardware, automobiles, lumber, and clothing are headliners. There is considerable variation, however, in sales gains recorded for large and small towns in different states. In the Colorado and Wyoming area, small towns are making tracks faster than big ones; in Indiana, reverse is true.

Ahead of Schedule

Household equipment manufacturers counted on 1937 setting another record, and the early returns are actually exceeding expectations. Electric refrigerators, for example, were running 43% ahead of 1936 in the first two months; washing machine sales were up 10%; ironers, up 17%. Electric ranges, vacuum cleaners, and water heaters are also finding excellent demand. Last year, refrigerators sold best in Mississippi, Michigan, the District of Columbia, Utah, and West Virginia.

Radio Shows the Way

Advertising activity has recovered from the dip it took after the spurt, occasioned by the undistributed earnings tax, in the last quarter of 1936 had exhausted itself. February stands about 6% above the January level and 16% above last year's record, according to *Printers' Ink*. The level of radio advertising volume, corrected for seasonal variation, stands 24% ahead of last year—not as great as the advantage it enjoyed last September as the result of a record summer rise, but still a wider margin than that held by other media.

What Wages Are

The Supreme Court's reversal of its previous position in the Washington minimum wage law case is stimulating the interest of other states in such minimums for women—perhaps for men too—that may have an early reflection in wage figures. Average hourly wages paid to women in 25 manufacturing industries in January was 44.2¢. The lowest average hourly wage of 36.5¢ was found in the silk industry; the highest, 64.6¢ in tires.

Long Distance Rate Reductions bring far-away friends NEARER and NEARER

A SERIES of rate reductions from 1926 to 1937 has substantially cut the cost of Long Distance telephoning. These reductions have been made in accordance with Bell System policy to reduce Long Distance rates whenever improvements in telephony and the volume of business permit.

Today's low Long Distance rates make it easy to keep in touch with out-of-town friends and relatives . . . frequently, pleasantly. They make it easy to do business across the miles with branches, customers and prospects . . . quickly, personally.

Below are rates for 3-minute daytime calls between representative cities. . . . Call some one far away today, and find how much genuine pleasure Long Distance can bring you . . . at low cost.

HOW LONG DISTANCE RATES HAVE BEEN CUT AS THE RESULT OF 8 REDUCTIONS IN RECENT YEARS:					
RATES FOR 3-MINUTE DAYTIME CALLS *		Station-to-Station		Person-to-Person	
From	To	January 15, 1926	Jan. 15, 1937	January 15, 1926	Jan. 15, 1937
Baltimore	Philadelphia	\$.65	\$.50	\$.80	\$.70
Cincinnati	Detroit	1.55	.90	1.90	1.25
Buffalo	Toledo	1.70	.95	2.10	1.30
Boston	Washington	2.40	1.25	3.00	1.65
Chicago	Little Rock	3.40	1.65	4.25	2.20
Atlanta	Kansas City	4.30	2.00	5.35	2.65
Denver	Seattle	6.60	3.00	8.25	4.00
Dallas	New York	8.80	4.00	11.00	5.25
Chicago	San Francisco	11.90	5.00	14.85	6.75
New York	Los Angeles	15.65	6.25	19.55	8.50

* Night and all-day Sunday rates are still lower.



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WASHINGTON (AP)—No territory of federal and to the state Court. The a flurry of for women Roosevelt included) on collecti process" of the hands On the days" of held that, state legis power un require an and worki of his em the emplo way, happ state com be mechan because th comotives, tegral par operation.

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BUSINESS WEEK

APRIL 3, 1937

Court Erases "No Man's Land"

Decisions support states' rights to legislate for business, oppose federal centralization of power, but leave vital question for eagerly-awaited Wagner ruling.

WASHINGTON (*Business Week Bureau*)—No Man's Land, the disputed territory on the boundary between federal and state authority, was ceded to the states this week by the Supreme Court. The immediate result will be a flurry of state minimum wage laws for women and children (President Roosevelt opines that men should be included) and "little Wagner Acts" on collective bargaining, as the "due process" clause took a real beating at the hands of Chief Justice Hughes.

On the most dramatic "decision days" of its current session the court held that, on one side of the federal-state legislative boundary, Congress has power under the commerce clause to require an employer to negotiate wages and working conditions with the union of his employees' choice, but only if the employer, like the Virginian Railway, happens to be engaged in interstate commerce. The employees may be mechanics in some back shop but, because they are repairing cars and locomotives, their work becomes an integral part of the railroad's interstate operation.

Four Stick to Their Guns

Then the court stepped across an imaginary line and held that authority to regulate the wages of women and children, previously denied to both federal and state governments, really does belong to the states. Before it could uphold the minimum wage law of Washington state, in which the issue was joined, the court had to reverse a contrary decision in 1923 on the District of Columbia law. The four justices who dissented to this week's majority opinion were among the five that declared the District law to be unconstitutional 14 years ago—Justices Sutherland, Van Devanter, McReynolds and Butler. This quartet was joined by Justice Roberts last June in declaring the New York minimum wage law invalid on the authority of the previous decision, but it was his vote that this week buried the precedent.

In upholding state authority to legislate for the protection of women, the court by plain inference also upheld states' rights against encroachment by

Congress. By another decision the state of Virginia was sustained in its attempt to regulate the sale of milk and cream, even though the fluid whose sale price in Virginia is established by such regulation, flows into the state across state lines.

In this week's decisions that, in a sense, may be regarded as preparatory to the coming decision on the Wagner

Labor Relations Act, the line still holds against the Administration's efforts to centralize in Washington the authority to act for the economic and social welfare of the people.

In ruling on the Railway Labor Act the court upheld for interstate business all that Congress seeks to establish through the Wagner Act, but, until the court makes its eagerly awaited ruling on that law, the legal distinction between *intra-* and *interstate* commerce remains the bar sinister to universal application of "the judgment of Congress, deliberately expressed in legislation, that where the obstruction of the company union is removed, the meeting of employers and employees at the



PIVOT MAN—Because he made it 5 to 4 for the Washington minimum wage law less than a year after he had made it 5 to 4 against the New York minimum wage law, Justice Owen J. Roberts takes the center of the stage in the Supreme Court drama.

conference table is a powerful aid to industrial peace."

This judgment the court cannot ignore, said Justice Stone in writing the unanimous opinion that skirts close to the much broader application asserted in the Wagner Act by holding the companion law applicable to the Virginian Railway's "back shop" employees, as having such a relation to the other confessedly interstate activities of the railroad that they are to be regarded as part of them.

"Due Process" Redefined

In the decisions on both the Washington Minimum Wage Act and the Railway Labor Act, the court swept aside obstacles previously raised to federal and state laws of the New Deal type by the due process clause of the Fifth and Fourteenth Amendments. In the railway labor case, Justice Stone held that the obligation to negotiate with a labor union authorized to represent the railroad's employees leaves little scope for the operation of due process, as the means chosen are appropriate to effect a permissible regulation of commerce by Congress. And in upholding the Washington wage law, Chief Justice Hughes declared that the constitutional injunction against depriving any person of life, liberty, or property without due process of law is not a guarantee of untrammelled freedom of action and of contract.

Old constructions of the Constitution are gone with the wind in Justice Hughes' interpretation of the covenant overturning the court's 1923 decision, in which minimum wage regulation for women was thrown down as deprivation of freedom of contract.

"Freedom" and "Liberty"

"What is this freedom?" questioned Justice Hughes. "The Constitution does not speak of freedom of contract. It speaks of liberty and the deprivation of liberty without due process of law. . . . But the liberty safeguarded is liberty in a social organization which requires the protection of law against the evils which menace the health, safety, morals and welfare of the people. . . . This essential limitation of liberty in general governs freedom of contract in particular. This power under the Constitution to restrict freedom of contract has had many illustrations. That it may be exercised in the public interest with respect to contracts between employer and employee is undeniable."

No present issue of Administration policy is involved in the court's unanimous decision approving the amended Frazier-Lemke Farm Moratorium Act that, in its original form, was struck down, also by unanimous decision, with NIRA on May 27, 1935. Authorizing



PUBLIC OPINION—Sen. Bob LaFollette seems to have had some difficulty in arousing it at this New York meeting of the American Labor Party to hear him defend the President's plan to "pack the Court."

a 3-year moratorium on farm mortgages (the original act provided a 5-year stay in foreclosure), the law "makes no unreasonable modifications of a mortgagee's rights," according to Justice Brandeis' opinion.

The Big Fight

This week's decisions pull one way, patronage pulls the other. The heat is on the Senate.

WASHINGTON (*Business Week Bureau*)—The decidedly liberal opinions handed down by the Supreme Court this week, especially the five-to-four about-face which upheld the Washington minimum wage law, considerably weakened the arguments for doing anything about the present judicial setup. By the same token they weakened the argument for a constitutional amendment to clear up this difficulty, so clearly recognized by both political parties in the election fight. But arguments do not seem to be making much difference, for the moment, so far as the gentlemen whose votes will decide the issue are concerned. Enough of them are waiting to hear from the folks back home to throw the fight either way.

Prospects continue good that the President can win his fight to pack the court if he does not weaken, despite the fact that most of the "breaks" have been against the proposal. The weakness of the Administration line continues to be that there is no really sound argument for it except to add six new justices who would look at the constitutional limitations with the same

elastic eye as the President. The strength of the Administration fight lies in the party machine built up by Roosevelt and Farley, the propaganda machine directed by Charles Michelson, the enormous power to "convert" recalcitrant legislators by patronage, federal appropriations or allotments, and other means of pressure.

At present there are actually enough senators personally opposed to the proposal to beat it. The whole question is whether they will stick against the influences mentioned. The Administration has already succeeded in "buying" several senators, has failed to consummate the deal in several other instances. Senator Rush Holt talked out publicly. Many others are talking privately. One senator was offered an eventual place on the high bench himself. This particular one declined and has been one of the most embarrassing opponents.

Glass Touches Sore Point

Significance of Senator Glass' radio talk against the proposal is yet to be appraised. He touched on a very delicate situation—the playing up to Negroes of the New Deal, and the threat to segregation laws and other discriminations against the Negro in the South. If this should happen to take hold, it would give several Southern senators now privately opposed to the court packing plan, but afraid to commit themselves against the President, the excuse they need to fight him. A glance over the lineup of the Southern senators will quickly show how very important this angle is. There are now eight openly against the President and nine uncommitted.

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Labor War and Peace

Armistice talks engage leaders on chief fronts; Detroit thinks worst is over. Coal parleys illustrate need for better mediation machinery.

REVIEWING the course of the soft-coal conferences which wound up after six weeks of discussion in essential agreement, even though they ran past the Apr. 1 deadline with strike threats still in the air, business observers this week were impressed by the fact that both sides seemed to have wasted time with "bitter end" tactics.

While the country at large sat fearfully waiting, the miners had early dropped their demands for a 30-hour week and a minimum annual wage, were concentrating on pay-scale increases. The operators weren't sticking to the 40-hour-week-and-no-raise policy apparently set up as a counter smoke screen, and were in fairly complete agreement on increases, but divided on differentials.

Agreement Shaping Up

The new working agreement, well on the way toward final form as the week drew to a close, would continue the 7-hour day, 35-hour week for two years, with raises in the scale of wages. By avoiding a general strike, the operators and workers had a great deal to gain, and knew it.

In the background of union policy, while John L. Lewis directed the workers' side of negotiations, was a largely overlooked reason for getting

around a strike. The United Mine Workers' war chest is one of the biggest suppliers of financial support to C.I.O. drives in other fields, and a stoppage of pay checks would hurt. Not only have the miners been putting up sizeable sums, ever since C.I.O. started, but the workers recently have been paying a special monthly assessment to swell the fund.

While the coal talks held major attention, other labor troubles this week continued to hit the headlines. Boston (fuel truckers), Akron (five-and-ten), New York (WPA), and other cities large and small felt the surge of organized demands for more pay and shorter hours. Like a "hot lick" rising above the chorus of a swing band, Sen. Wagner's solo in the Senate got wide attention for its timing and its suspected close agreement to Administration policy.

With its biggest worry, the Chrysler strike, apparently in hand, Detroit got a chance to catch its breath. The "emergency" seemed to be ended, but public protest against sitdowns was as widespread as ever. However, the feeling in general grew that the Chrysler strike was the "last big sitdown" and that the final agreement there would set up a pattern for others.

Detroit has been highly chagrined

about being the center of so much strike news—it is accustomed to being praised as having led the country out of the depression, and doesn't like the impression to get around that times are tough.

Sundry repercussions echo from the sounding board of last week's labor rally and the retail store troubles. Detroit looks for a labor ticket in next fall's municipal elections, and several union leaders have been grabbing the chance to get in the headlines. Most of the retail store squabbles, incidentally, were brought about by A.F. of L. affiliates, not by C.I.O. Frank Martel, president of the local labor federation, has talked loudly in support of sitdowns and is going along with the C.I.O. drive in automobile plants on the theory that craft unions will gain from the surge to organize.

State Legislatures Act

State-by-state action to set up special laws controlling sitdowns, spreading this week to various legislatures, revealed a variety of opinion. Michigan's legislators were pushing bills to make seizure of industrial property a felony and to set up pre-strike arbitration machinery (*BW—Mar 27 '37, p. 16*). Utah already had submitted a "Little Wagner Act" for national scrutiny, and governors in the East and South continued to speak their individual opinions, with Gov. Hoey getting the most attention by virtue of his "no sitdowns" stand in North Carolina.

The Utah act is getting wide attention. It embodies the recommendations of Maj. George Berry's Non-Partisan League, and counterparts have been submitted in Pennsylvania, Wisconsin, and New York. Several practices are listed as unfair, on the part of employers—such as interference with collective bargaining, restraint or coercion, interference with labor groups which are organizing, or support to "company unions."

In these points, and in its support of the majority representation rule, the Utah measure is like the Wagner Act. But the State Labor Relations Board which it provides to carry out provisions of the law has wider power than the N.L.R.B., particularly in its right to examine any pertinent records, subpoena any witnesses, and punish offenders for contempt of court, through the state district courts.

By the reasoning of supporters, the "little Wagner Acts" will handle the labor situation competently, even though the Wagner Act itself is knocked out by the Supreme Court. The states can regulate intrastate business, which Congress might not be able to reach in any event. And labor unions have been gathering support, not only in the West but elsewhere, for the state-by-state method.



Acme

BACK TO WORK—The Lebanon, Pa., plant of the Bethlehem Steel Corp. opened last week following a strike of 2500 workers. C.I.O. had announced earlier that the company union must go, but company officials say 96% of employees in all plants voted for employee representation under the 20-year-old Bethlehem system.

G.M. and Ford Are Moving Out

Chevrolet takes part of its engine-building to Buffalo. Ford will add 30 small plants to his "village industries" scheme. Decentralization is under way.

DETROIT (*Business Week Bureau*)—General Motors and Ford are on the move. Both companies are in the midst of major decentralization programs. In the case of General Motors, it represents mostly a trek out of Michigan; with Ford it is confined within Michigan's boundaries, but is aimed at getting away from the huge concentration of men at Dearborn.

Chevrolet will build immediately a plant at Buffalo to make 1,200 motors and axles daily to supply assembly plants at Buffalo, Tarrytown and Baltimore. Heretofore all motors were made at Flint, all axles at Detroit. The plant will cost \$16,000,000; its equipment orders represent a windfall for ma-

chinery builders already staggering under an avalanche of business.

The Flint engine plant today is Chevrolet's most serious production bottleneck. The company's engine-building capacity is short of its assembly capacity. The Buffalo expansion will raise it 20%. There are other reasons for the Buffalo move: (a) manufacture of key parts will be nearer branch assembly plants, shortening the time between placing car orders and delivering cars to the rich Eastern market; (b) freight savings will be made in moving materials to Buffalo and from Buffalo to assembly plants; (c) Chevrolet will begin to get away from labor-torn Flint; and (d) union organizers no longer will

be able to tie up production completely by shutting down the Flint engine factory.

Incidentally the Buffalo plant is not an outgrowth of the G.M. strike, although the strike probably accelerated action. It has been under consideration for a year.

Of five cities studied, Buffalo got the new plant because of its lake transportation facilities and the skilled men available. Buffalo, like Grand Rapids (where G.M. put a big stamping plant last year), has a large percentage of home owners. That means labor stability and less likelihood of men being influenced by labor agitators.

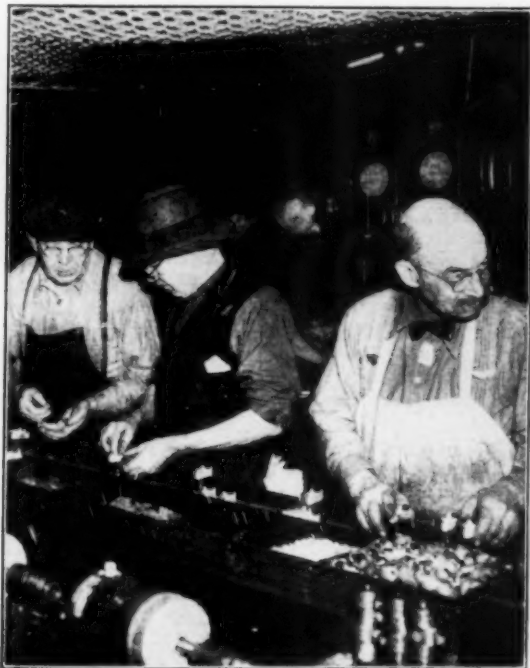
Began After Strike

G.M.'s decentralization began after the Chevrolet strike at Toledo two years ago. That led to spreading transmission manufacture among Muncie, Ind., Saginaw, Mich., and Toledo, whereas previously it had been 100% at Toledo. Then followed new assembly plants for Buick, Olds and Pontiac at Los Angeles and Linden, N. J., the Grand Rapids plant for Fisher Body, and a small plant at Ionia, Mich., to supplement work at Grand Rapids. A year ago Chevrolet considered putting an engine plant at Oakland, Calif.; this project is still a possibility.

For some time Fisher Body has been playing with the idea of erecting a big stamping plant in the East where it could serve all G.M.'s Eastern assembly plants, much as the Buffalo engine and axle plant will supply Chevrolet's plants. It isn't yet public information, but shortly Fisher will announce plans for immediate erection of such a plant



BEGINNING—An old grist mill (left) 20 miles north of the Ford Rouge plant, was one of the first of the auto magnate's "village industries." At Ypsilanti, Mich., is another outlying Ford plant, where men past 40 assemble generators (lower left). At Northville, Mich., 400 men are working on Ford valves in an air-conditioned plant (lower right).



Business Week photo

at a site not yet disclosed. This is another logical step in G.M.'s decentralization. There now are continuous sheet and strip mills in the East which can furnish raw materials at close hand. Haulage costs will be cut from steel mills to the stamping plant and from the latter to car assembly plants in various parts of the country.

Fisher will be further freed from dependence on its No. 1 plant at Flint for stampings essential to all cars, Grand Rapids already helping to alleviate this acute situation. It is reported on good authority Fisher is planning substantial expansion at the recently-acquired Ionia, Mich., plant.

Ford's decentralization has taken the form of small factories dotting the southern Michigan map. It started in 1920 with a valve plant at Northville, has gained speed during the last few years.

Twenty Small Plants

There are 20 plants today. Ford's program calls for at least 30 more. All will be within 65 miles of the Rouge plant to which the products can be transported cheaply in Ford V-eight trucks.

It is impossible to decentralize automobile manufacture past a certain point and retain advantages of mass production. There always will be concentration of heavy work (engines, bodies, etc.), but fabrication of light parts can be done just as well in small plants away from the congested areas, according to the Ford theory.

Mr. Ford is in personal command of the "village industries" development. Every factory is located on a small stream which can be dammed up and the waterpower used to help run the machinery. He selects each new site,

insists on the surroundings being attractive for the worker. Employees live within a stone's throw of their work, either farm a fair-sized acreage or have large gardens. The result is they have a country home with a city income, an ideal combination.

Products Are Better

The Ford management has noted better workmanship and improved quality of product where men are put in small plants (numbering from 10 to 400 employees). Today there are 190 departments with a total of 89,000 men in the Rouge plant. That highly centralized production will be reduced when Mr. Ford's 50 village industries are in operation.

Chrysler also is aware of the benefits of decentralization. It has located a branch assembly plant for Plymouth at Evansville, Ind., has a West Coast factory at Los Angeles, a service parts manufacturing plant at Marysville, Mich. It wouldn't surprise Detroiters should Chrysler take action in the next year to get further away from its concentration in Detroit where all its main factories are located.

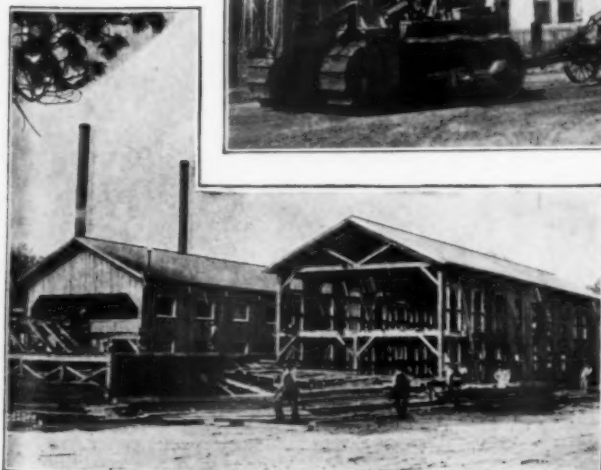


NEW PHILOSOPHY—Henry Ford (left, above) with C. L. Smith, head of the Ford Manual Arts School at Ways, Ga., is discussing plans for the newest Ford community industries project. Here he has provided elementary schools, community centers and farmsteads for employees of his parts shops.



Acme photos

VERSATILE BRAINS—Minds, as well as metals, raw materials, and methods, are important in today's scheme of industrial expansion. The Ford School of Manual Arts at Ways, Ga. (above), and elementary schools are expected to tap rich, but latent, resources. The school curriculum includes agricultural fundamentals as well as training in mechanics, to round out Mr. Ford's dream of an approach to self-supporting communities.



BLOW TO H. C. OF L.—At Ways, Ga., Ford parts makers will own, or partly own, farms so that the community will be partly supported by the produce they raise to reduce the cost of living. A school building has been completed; tractors are busy grading roads (above); and a lumber mill (left) is busy turning out building materials for the Ford Farms at low cost. Alongside the lumber mill is a planing mill under construction. A well-rounded supply of building materials will be available.

Hot Oil May Flow

Connally law restricting shipment of oil produced in violation of state acts may not be extended.

WASHINGTON (*Business Week Bureau*)—Oil conservation, like practically every other major piece of legislation, is snarled up by the Supreme Court battle. The Connally hot oil law expires June 16, and it is in real danger of going by the board unless President Roosevelt takes a hand. But Texas' Sen. Connally is agin' the President on packing the Court and Rep. Martin Dies from the Lone Star state is also cool to the proposal. So it won't be surprising if Roosevelt permits the Connally Act to lapse, with the idea of reviving it later under another name, if it seems advisable.

Present conditions do not point to an imperative need for the act, which prohibits interstate shipment of oil produced in violation of state laws. Although crude production has set a string of new records since last summer, stocks dropped 25,000,000 barrels from June 1 to Jan. 1, and an upward tendency since then anticipates the seasonal bulge in consumption. The East Texas field which caused all the trouble has settled down. Hot oil running 100,000 barrels a day before the Connally law was enacted has dropped to a dribble of 6,000 barrels.

Estimated Reserves

Discoveries are barely keeping pace with consumption. Proven petroleum reserves on Jan. 1, 1935, as estimated by the American Petroleum Institute's special committee on production, totaled 12,177,000,000 bbl. This estimate was pushed up to 13,063,000,000 bbl. as of Jan. 1, this year, and to 13,632,000,000 bbl. in February as a result of the development of pools that had been discovered but not worked prior to 1935. These estimates, however, are subject to later upward revision as new wells are brought in in the Corpus Christi area, where a multitude of small pools point to a shift in the center of production.

Although the Connally Act, as a federal law, is broad in terms, it has only been enforced in East Texas. The Petroleum Conservation Division of Ickes' Interior Department now is investigating the advisability of setting up a tender board at Corpus Christi.

The bill to extend the Connally Act by striking out the expiration date passed the Senate Monday but faces increasing opposition in the House.

Independent jobbers fighting for the death of the law assert that it doesn't make sense as a conservation measure as long as there is no check on exports and no tariff on imports. Leading the

fight against extension of the law are Dixie Distributors, Inc., an organization of jobbers doing business in 10 states, and the National Oil Marketers' Association which contend that the law has cemented the monopoly of the major companies. Many independent jobbers admit, however, that they would not be against the law if the



VIGIL STIMULANT—Girls on a sitdown strike at the American Textile Co. lace mill at Pawtucket, R. I., find sympathy outside the plant as friends send up coffee and food on a rope.

marketing practices of the majors were cleaned up. With control at the production end and cut-throat competition in the markets, jobbers assert that the government ought to do something for them—something like prohibiting the major companies from retailing and applying the Robinson-Patman Act to the discounts which the majors allow commercial consumers.

Tackle Tax Diversion

Federal government cuts Maryland highway-aid funds until gas and motor taxes are restored.

WASHINGTON (*Business Week Bureau*)—Uncle Sam isn't fooling in his drive to discourage the states from using gasoline tax and motor vehicle fees for relief, schools, prisons and other worthy but non-highway purposes (*BW—Feb 20 '37, p 54*). First to feel the lash of the drive is Maryland, which has been notified that one-third of the \$1,025,000 allotted to it in federal-aid funds for the current year will remain in cold storage until it can justify the diversion of an unspecified amount from motoring revenues to non-highway purposes. Translated freely the "please justify" notice means "please restore diverted funds—or else."

This is the first imposition of a penalty clause written into the 1934 federal-aid highway act permitting the Bureau of Public Roads to withhold federal funds from states that should increase diversions over previous amounts. It is not the last. The bureau has accountants studying the financial practices of a number of other states that are notorious offenders, and further crackdowns are expected. No names are named, but it is general knowledge that the large and populous states of New York and Pennsylvania are particularly vulnerable with Georgia and several others close behind. All in all, strict imposition of the permitted penalty may mount to a respectable number of millions.

Untying REA's Hands

Carmody says new bill would expedite present operations, does not threaten utility competition.

WASHINGTON (*Business Week Bureau*)—Activities of the Rural Electrification Administration would no longer be restricted to rural territory not now served by power lines if Congress passes a bill sponsored by Sen. McNary, of Oregon. Regarded in some quarters as a hint that REA will become a more active arm in the New Deal's fight against the utilities, the bill would open the door to more direct competition from REA by permitting that agency to parallel the lines of private utilities à la TVA.

Such intentions, however, are not only discredited by the fact of Sen. McNary's sponsorship, but are denied outright by John M. Carmody, REA's new chief. His support for the measure is based upon the fear that, sooner or later, a rural project may be hauled

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... so this Company uses "COMPTOMETERS"

A weekly payroll for 27,000 employees ... thousands of invoices for material and supplies ... production figures ... statistical reports and financial statements for management.

That's a hasty word-picture of the tremendous volume of figure work required by one of Detroit's leading manufacturers of medium-priced passenger cars and trucks well known for their dependability and beauty. And here's what the auditor of this great company tells us — and you:

"In the automotive industry, speed in the dispatch of figure work is as important as speed on the production assembly line. For upon figures rest executive decisions involving millions of dollars.

"Figures must be ready on time. That's

why we handle *all* our figure work on 'Comptometers.' They are fast, accurate and dependable. Moreover, the service, suggestions and new ideas rendered by the 'Comptometer' organization have been quite helpful in modernizing our figure-work routines, which must be changed frequently to cope with an increasing volume of business."

It is not by coincidence that practically all the major automobile companies use "Comptometers." Nor that a similar condition exists in almost every industrial field, large and small. For the proof of "Comptometer" methods is in results — speed, accuracy, flexibility and economy.

A representative will be pleased to demonstrate, in your own office, the

savings in time and money which "Comptometer" methods can effect for you. Telephone the "Comptometer" office in your district, or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina Street, Chicago, Illinois.



COMPTOMETER

Reg. U. S. Pat. Off.



Wide World

VICEREGAL VISIT.—One of the most popular of Canada's governors general, Lord Tweedsmuir, visited President Roosevelt this week and repaid a call the latter made upon him last July in Quebec. An author, member of Parliament for years and government official, John Buchan was created a baron by the late King George when he was appointed to the Canadian post eighteen months ago. In 1934 he made the dedicatory address at the opening of the new Columbia University library, New York.

to court and outlawed because of the construction of a "spite line" by a utility company.

Consumer cooperatives are slow to form, and during the long interval between conception and construction of a project there have been many instances where utilities have rushed in to serve at least part of the affected

area. In such cases it has been the practice of REA to carry through the cooperative project, but there is always the possibility that it might be challenged for granting a loan in territory already privately served. This possibility would be removed by amending the law to lift the restriction on REA's operations.

Call a Messenger Boy

Wire companies extend the use of their offices and messenger service to aid marketing and distribution.

It has long been standard American practice for the citizen to call a telegraph messenger boy for such minor crises as forgotten eyeglasses, unescorted grandmas and unwalked dogs. Extracurricular activities are being constantly expanded by the wire companies, especially in the business field.

Advertising matter or sales presentations that would be tossed into the waste basket if received by mail, get consideration when dignified by A.D.T. delivery. Doors open instantly for the uniformed youth who may be the bearer of an important telegram. Knobs turn just as easily if the youth happens to be the bearer of cake samples or promotional matter for Wiggins Kitchen Widgets. The Western Union has a word for it—"Dramatized Delivery."

Diversified Service

In addition to expanding distribution services W.U. and Postal compete in boosting the use of their offices as information centers and as aids to totally unrelated companies. Hartford Fire Insurance Co. is advertising that a call to Western Union will give one the ad-

dress of the nearest Hartford agent. In the New York area, every W.U. office has become a receiving station where car buyers can make payments to General Motors Acceptance Corp. This has proved a great convenience to thousands of car buyers who lack checking accounts in banks.

By a special hook-up Western Union offices become extensions of outlets for other corporations. Here you can get American Express money orders or travelers checks. W.U. also acts as a feeder for Railway Express Agency's air business. Railway Express serves all the big air lines (except Transcontinental & Western Air) for pick-up and delivery while W.U. offices become sub-depots for receipt and distribution of packages.

Greater use is being made of the blue and tan Mercurys as marketing aids. As this field develops messenger personnel becomes less and less like the old comic-paper myth of the tough kid whose feet were leaden, whose pastime was crap shooting.

In the Oklahoma City district W.U. messengers made a "chicken census"

and delivered special coupons for the Ralston-Purina Co. Such surveys are promoted as a regular activity. A food concern used W.U. for a "pantry count" to see how well its items were represented in the average kitchen. A shoe manufacturer employed it to check on whether retailers were making window displays of his wares in the prescribed manner. A drug company detailed W.U. messengers to count pedestrians at prospective store locations.

Help Advertising Pay

Market promotion activities go far beyond the mere delivery of samples or printed merchandising. By special arrangement, advertisers in magazines or on the radio can announce that W.U. offices will give the address of the nearest retailer handling their goods. Magazines carrying special advertising campaigns can be delivered to retailers with a telegram calling for special attention. Some magazines which campaign for subscriptions by 'phone deliver the initial copies by a messenger who collects the subscription price. Companies distributing heavy catalogues, etc., in great volume save money by bulk shipments to W.U. offices in key cities where the books are distributed, re-shipped or re-mailed at lower local rates.

In many cases the A.D.T. boy becomes almost a part of the client company's sales force. Garment companies dispatch W.U. boys to retailers to display sample lines, orders being sent direct to the manufacturers. Toastmaster has sent W.U. boys around to demonstrate its "hospitality trays" to merchants and distributors. Visomatic Systems rents out some of its combination disc phonograph and slide film machines by W.U. messengers who are specially trained to operate them.

What are the reasons for these extraordinary services and who inspires them?

Western Union denies they originated from a desire to keep messengers out of devilment while waiting for telegrams to deliver. The companies have large departments whose business includes the incubation of new ideas, and many suggestions come from outside companies. Here is the secret of the diversity which has uses as sweet in this field as in any other. Location of thousands of offices in strategic spots is a great help. Special delivery of tickets for railways, air lines, theaters is handled at these points.

Bringers of Gifts

Other trade aids are numerous. The W.U. "gift order" provides funds and a message. Close to the "telegraphed flowers" idea is the "shopping order" which places designated gifts in designated hands with the donor's card or message.

Western Union even helps libraries cut costs of books by increasing turn-

The Rose Petal on the Cup



Remember the old legend of the gracious host who offered his guest a cup filled to the brim? And then on the top he dropped a rose petal—the final token of consideration.

WITHIN the reach of many a man is a "cup" brimful of future security for his wife and children, should anything happen to him. And in addition to that full measure of protection for them, the "rose petal" on top pledges future comforts for himself at retirement age.

In step with other modern advances, life insurance has found ways and means to include many kinds of financial protection in a Life Insurance Program and even in a single policy.

Security for a man's wife and children is usually his first consideration. But the majority of the men who read this advertisement will reach 60, if they have not done so already, and will need an income at retirement age. The children in many of their families will grow up and become self-supporting. Then will come the time when the insurance which spelled safety for many years can be converted into a regular monthly income, permitting father and mother leisurely to enjoy their later years.

A Metropolitan Field-Man will be glad to show you how you can arrange this security for your family and yourself. Telephone the nearest Metropolitan office and ask him to call—or mail the coupon.

The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company
1 Madison Avenue, New York, N. Y.

Without obligation on my part, I would like to have information regarding a Life Insurance Program to meet my needs.

NAME _____

ADDRESS _____

CITY _____ STATE _____

47-W



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER
Chairman of the Board

ONE MADISON AVENUE, NEW YORK, N. Y.

Copyright, 1937, by Metropolitan Life Insurance Company

LEROY A. LINCOLN
President

over. Suppose a reader applies for "Gone with the Wind" and it is out. For 10¢ the library will deliver the book when it is returned. Thus the library is able to get along on a few volumes of this title.

In most of the above fields Postal Telegraph competes vigorously with its huge rival. Many new ideas have been developed by Clinton D. Allsop, Postal's commercial vice-president. While W.U. will obtain theater tickets in New York through regular channels, Postal has its own theater ticket agency which cooperates with famous Leblang's. Postal's personal service bureau will solve almost any social problem (except providing gigolos or their feminine equivalent).

Land, Sea, and Air

Other services of which Postal is especially proud include:

Check-up on movie theater receipts for films distributors who charge a percentage of box office takes; dispatch service, similar to that of railroads, for facilitating long-distance truck traffic; handling of General Air Express parcels which travel via T.W.A.; reports on incoming ships; offices in independent telephone exchanges which have opened wire service to many localities; offices on wheels in trailer camps (W.U. also has these).

The extension of the messenger boys' horizon has called for a careful revision in their selection. Youngsters must have the rudiments of an education, alert minds and preferably good looks, since this helps overcome the sales resistance of consumers and business men. Many have found the job of messenger the door-opener for a life's work. The boys are always being seen by men in offices and plants who have jobs to pass out.

A heavy personnel turnover is the result. In good times Western Union has a turnover as high as 300% annually among its 15,000 messengers. The company doesn't mind. Not only is it helping future citizens; it is planting cells of good-will that will mean more business in the years to come.

What is Net Price?

Answer to this question in A. & P. case will determine how binding is Robinson-Patman brokerage ban.

WHAT is net price? Testimony offered in New York City this week left no doubt of the fact that this was the question around which revolved the whole action brought by the Federal Trade Commission against the Great Atlantic & Pacific Tea Co. on a charge of violating the Robinson-Patman law.

Nor was there any doubt of the position of either of the principals on the question. FTC contended that a net price was not a net price when it was in reality the list price less an illegal brokerage commission.

A. & P. contended that a net price was just what the term implied—the price finally paid—and nothing else.

Extreme frankness characterized the entire proceedings. As in previous hearings held at Cambridge and Baltimore, Md., and at Rochester, N. Y., no denial of the facts was offered as a defense by company officials.

"Unsatisfactory List"

Thus for example, Charles W. Parr, assistant head of the chain's grocery department and a seasoned witness who had had his baptism under fire at the chain-baiting investigation that paved the way for the R-P law, calmly admitted that A. & P. kept an "unsatisfactory list" of suppliers who refused to shave their prices 4% for A. & P., that the California Packing Co. had been threatened with inclusion in this list, and that when Calpack refused to yield to A. & P.'s price demands, Del Monte goods were purchased only in sufficient quantity to satisfy customers who would not accept a substitute.

In response to a direct question from FTC Examiner William Reeves, Mr. Parr readily acknowledged the fact that the net price offered by other canners who met with the chain's demands represented exactly the 4% commissions which they saved by not having

to sell A. & P. through brokers and which they paid directly to the chain. He contended, however, that there was "a fine and important distinction" between deducting a percentage and insisting upon net prices reflecting such a deduction.

This distinction arises from the fact that the FTC complaint is so drawn as to accuse the chain of violating only Section 2 (c) of the law which prohibits the acceptance of "anything of value as a commission, brokerage, or other compensation, or any allowance or discount in lieu thereof." A. & P. rests its case on the simple premise that its buying policy involves the acceptance of absolutely nothing.

An Alternate Attack

The grocery trade generally feels that although A. & P.'s defense tactics may suffice for the present purpose, they lay the chain wide open to a charge of violating Section 2 (a) which contains the broad prohibition on any and all discriminations in price. But to prosecute successfully a charge against A. & P. based on this section the commission would have to prove that the chain's policies lessened competition, injured a competitor, or tended toward monopoly; that the prices to A. & P. made more than due allowance for savings in the cost of manufacturing, selling, and delivering goods to this biggest of all purchasers, and that interstate commerce was involved—conditions that do not now have to be established.

Furthermore, before another action could be brought against A. & P., a lot of water is certain to go over the Robinson-Patman dam. The A. & P. action will probably afford the biggest splash of all, for there is every evidence that it is shaping up as the No. 1 case.

The issue of constitutionality is far more clearly drawn in this action than in any of the other pending cases. The manner in which the proceeding is being expedited by the chain without any quibbling over facts and FTC's failure to wind up finally the Kraft-Phenix and Montgomery-Ward cases, on which hearings have long since been completed (BW—Feb 27 '37, p21) suggest that both principals are content to see the R-P law hang or fall by the Supreme Court's first adjudication of the issues in this critical action.

Food and Drug Fade-Out

WITH one-third of the state legislatures adjourned, concern over stringent food and drug laws is abating, though among the states where measures are still pending are New York, Montana, California, West Virginia, and Connecticut. The trade was particularly elated over Gov. Martin's veto in Washington (BW—Mar 27 '37, p60).



COAL SUCKERS—Sand-sucking methods are used by dredges on the Susquehanna river, near Harrisburg, Pa., to reclaim fine anthracite coal washed down the watershed into the river from collieries, culm banks and mountain coal pockets. Silt from the river bed is sucked up and sieved for whatever fuel the independent operators can find.

Pictures, Inc.

Death of a Record-Making Law

After setting three Supreme Court precedents, including the right of a state to fix prices in an emergency, New York's milk control law goes to well-earned grave.

It was curtains this week for New York's historic milk control law—and there were few if any to mourn its passing.

Enacted four years ago and renewed regularly every year since then, the emergency law empowered a state board to fix the prices at which distributors bought their milk and those at which they sold it. What producers got for their milk was determined by a classification-for-use system—the highest price for milk to be used for fluid purposes and varying prices for other classifications of surplus milk; quotas determining how much milk would be accepted in each classification were based on the production records of individual farmers and cooperative groups.

Prices charged to consumers were set one cent lower for store sales than for home delivery. The law also provided that in New York City small distributors could quote prices on milk sold through stores one cent below the level set for distributors having well advertised trade names—meaning Borden's, Sheffield (National Dairy), Dairyman's Cooperative League, and Renken's.

Four Years of Suits

In its brief four-year history the law assuredly set some sort of litigation record, for state attorneys were almost continually engaged in defending it in the courts. The law is chiefly notable, however, for the precedents it established in the Supreme Court, having been the basis for three significant opinions by that tribunal.

In 1933, shortly after the passage of the law, one Leo Nebbia, a grocer in Rochester, was convicted of having sold two quarts of milk and a loaf of bread for 18¢ at a time when the per-quart price of milk was fixed by the board at 9¢. In an 8-1 decision the Supreme Court sustained the lower court, enun-

ciating a doctrine, appealed to in many a later New Deal case: (1) that neither property nor contract rights were absolute and that in an emergency private rights must yield to public right; (2) that it lay within the powers of a state to declare economic policy in the interest of public welfare; (3) that courts were both incompetent and unauthorized to pass upon the wisdom of such policies; and (4) that so long as regulations were not arbitrary, discriminatory or demonstrably irrelevant to the declared policy they could not be held to be an unconstitutional interference with due process or individual liberty. This decision served as a precedent in upholding the constitutionality of Virginia's similar milk law this week.

Sweeping Decision

Probably the most sweepingly liberal construction of the Constitution handed down by the Court in recent history, the epochal opinion in the *Nebbia* case was approached only by a second decision on the New York law sustaining by a 5 to 4 vote the validity of the one-cent differential which advertised brands were compelled to charge. Much the same grounds were cited as in the *Nebbia* case, though in this suit, brought by the Borden Co. with the support of advertising and publishing interests generally, the point on which the decision turned was the admitted necessity for preserving a competitive balance which existed prior to enactment of the law.

The third decision (actually a predecessor of the Borden opinion) was not so favorable to this apparent darling of the jurists. Empowered by the act to license and tax dealers, the Milk Control Board refused to grant a license to G.A.F. Seelig, Inc., which bought its milk in Vermont at prices less than those stipulated by the New York law. Ordering issuance of the license, the



Uncertain

Channel

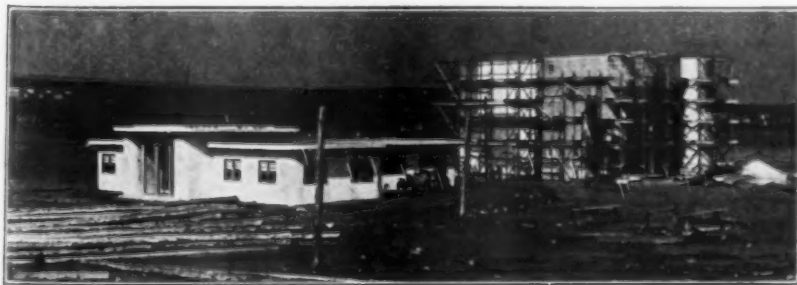
LINERS might make port without a pilot . . . but they never take the risk.

In business and personal affairs, too, the tides of mischance make the channel uncertain. For more than half a century, many have relied on Standard of Detroit to guard them from the reefs and cross-currents of misfortune . . . accidents, liability, embezzlement, robbery and numerous other hazards. Fifty-three years of experience . . . over a million persons protected by Standard Casualty Insurance and Bonds.

8300 experienced Standard representatives are available for counsel and service.

**STANDARD
ACCIDENT
INSURANCE
COMPANY**

Standard Service Satisfies



Charles Phelps Cushing

"WORLD OF TOMORROW'S" BEGINNING—The field house (left) and the testing building of the New York world's fair are the first of 300 buildings to be erected in the transformed Flushing meadows of Long Island for the 1939 exposition.

producers. A bill appropriating \$400,000 for its continuance is pending, and Gov. Lehman has expressed himself as impressed with the accomplishments of the past three campaigns (BW—Jan 16 '37, p. 17).

Thus the New York milk control law passes out of the picture, but if Rep. Casey of Massachusetts has his way state regulation may yet be revived in the form of a New York-New England compact agreement such as that which was proposed at the time of the Seelig decision. Mr. Casey thinks such an interstate compact might give producers as much of a voice as distributors in setting prices and would obviate the necessity of achieving that end via a boycott such as producers imposed early this year on New England's biggest distributors, H. P. Hood & Sons Co. and the Whiting Co.

Buses Gain in Cities

Street cars still ahead, nearly two to one, but only 62 cities use them alone.

EVEN with the introduction by street car companies of the silent streamlined cars, buses are multiplying in American cities, though street cars are still substantially ahead.

Municipalities are finding a lucrative source of revenue in bus licensing fees, percentages of gross annual receipts, and interurban franchises.

The number of all-bus cities of more than 10,000 population has risen during the past year from 393 to 434, while communities using street cars alone fell from 74 to 62. In 982 cities throughout the country 34,000 street cars are operating, in comparison with 19,000 buses.

License Fees Help Cities

From a sampling survey the American Municipal Association has learned that \$414,124 in licensing fees from private L. s companies went to 27 cities within a year. Some cities levy a flat annual fee per bus, ranging from \$25 in St. Louis to \$200 in Rochester, N. Y. Others impose graduated fees per passenger, per bus, per seat.

The survey showed that in the "big city" class Birmingham derived the most revenue from the bus companies, totaling \$114,375 during 1936. St. Louis collected \$90,709; Norfolk, \$34,014; Milwaukee, \$40,894; Rochester, \$30,800; New Orleans, \$29,316.

Buffalo is among the few cities that make interurban bus line franchises a source of revenue, collecting over \$20,000 on this basis.

Out of nine cities surveyed, four had raised their franchise and license rates in recent years, four had maintained them at the same level; one cut them.



APPLYING A LIFETIME OF EXPERIENCE TO MAKING A WOOD PATTERN FOR JENKINS VALVES

John Murphy's Skill
MAY PREVENT A DELUGE

SELDOM do you even think of valves, yet they stand between you and serious trouble in your plant or building. A faulty valve may lead to immeasurable damage, and even to serious injuries. Occurring at a crucial time or point, failure in the control over water, steam, gas or other pipe lines can cause a complete breakdown of operations.

But to guard against the possibility of a major disaster is only half of the reason why shrewd management insists on getting valves which will not fail. The valve equipment in a plant or building of any size represents an unusually large investment. Valves "made for lifetime service" will protect that investment; inferior ones will pile up maintenance expense and finally require replacement.

For three generations the management of a large part of American business has re-

lied on the specification, "Jenkins Valves."

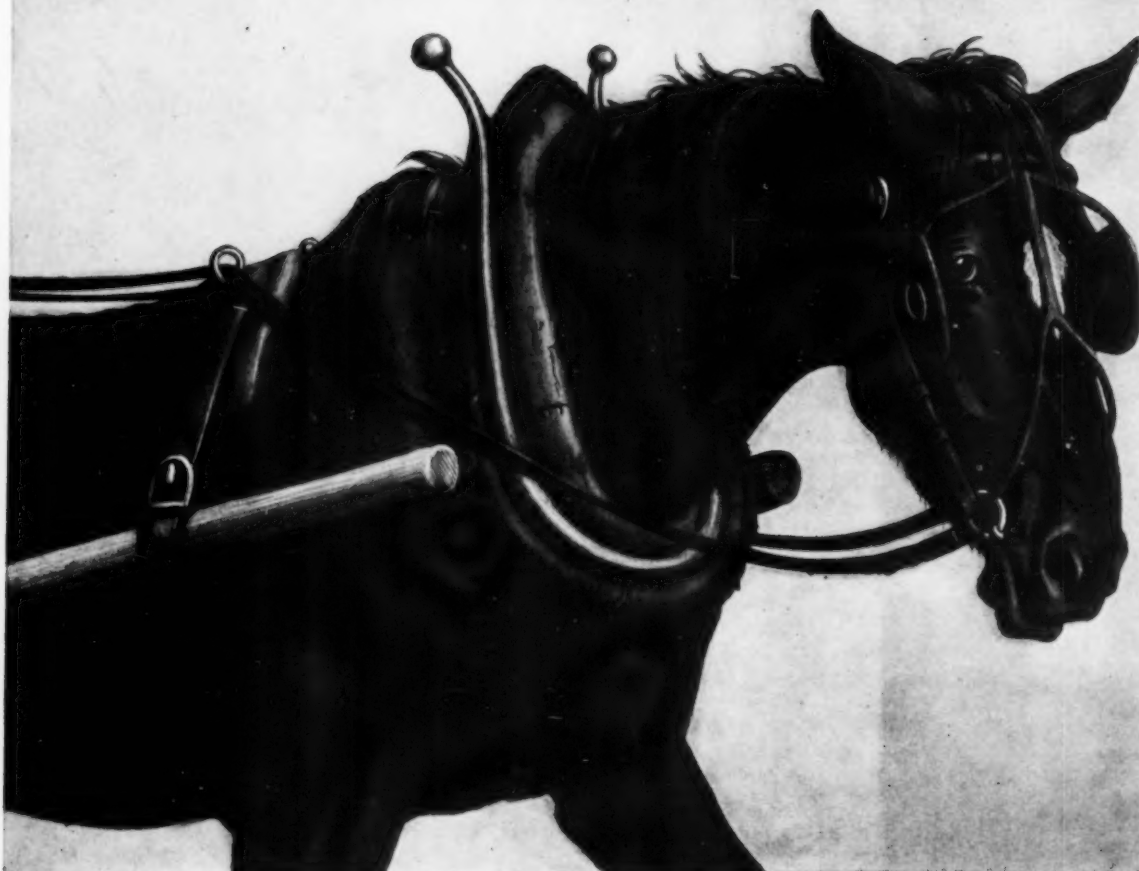
This specification has become the most positive assurance of trustworthy valves, and the utmost in service and economy. It is made so by craftsmen like John Murphy, rightfully proud of a skill acquired in following one craft for a lifetime. It comes from the finest of materials and processes. And from ceaseless effort to produce a valve that will be cheapest to use, even though it may at times cost a trifle more to buy.

Our illustrated book, "What's In a Name", tells more about the "Jenkins" way of valve making. We would be glad to send it, as well as data on Bronze, Iron or Steel Valves for your service. Prompt delivery of Jenkins Valves is offered by good supply houses everywhere.

JENKINS BROS., 80 White St., New York; 510 Main Street, Bridgeport, Conn.; 524 Atlantic Avenue, Boston, Mass.; 133 No. Seventh St., Philadelphia, Pa.; 822 Washington Blvd., Chicago, Ill.; Montreal, Canada; London

Jenkins Valves 
MADE FOR LIFETIME SERVICE

OVERWORKED!



MODERNIZED WIRING AIDS PLANT OPERATION IN THESE 6 WAYS



- 1 Prevents breakdowns that retard production and cause labor to lose wages.
- 2 Prevents light losses and slowing down of machines due to voltage drop.
- 3 Prevents dissipation of power in the form of invisible heat losses.
- 4 Lowers maintenance and repair costs.
- 5 Permits shifting of equipment or installation of new machinery with minimum delay.
- 6 Protects safety of workers and lowers insurance rates—a permanent saving!

Anaconda Wire & Cable

General Offices: 25 Broadway, New York

Chicago Office: 20 North Wacker Drive

YES... and your electric circuits can be overworked, too!

Modernize electric wiring before speed-ups and overloads cause serious loss

ARE YOUR factory's electric circuits in condition to stand the strain of increased production schedules? Many are not! Estimates show that 9 out of 10 plants today are handicapped by antiquated, deficient electric wiring. How about yours?

Some losses invisible

Oftentimes the extra burden that is put upon circuits leads to expensive breakdowns. Even more often, the strain causes *invisible* dollar waste—power dissipated in the form of heat losses; slowing down of machines due to voltage drop; high maintenance and repair costs. Such losses are avoidable; their correction means a permanent saving.

Take a few moments now to safeguard your factory against these dangers. Have a check-up made of electric circuits. Such a check-up may save you thousands of dollars. It will cost you nothing to make. Your electrical engineer, your industrial consultant, or electrical contractor, can do the work.

As the first step to bringing your property to 100% electrical efficiency, send for the two books shown here. If you have a specific problem in mind, consult with our Engineer-

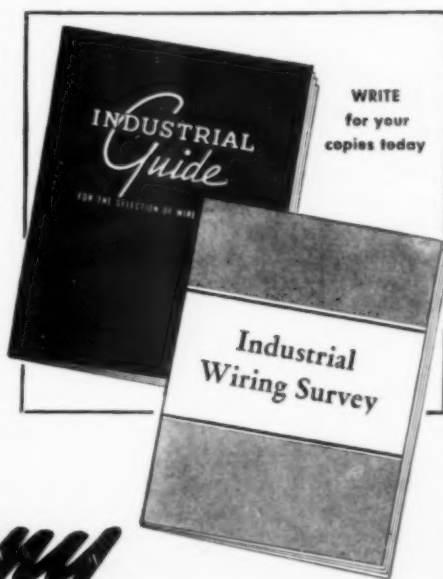
ing Department. We will cooperate without obligation.

Two important books which you should have

One is our "Industrial Wiring Survey". This volume tells you how to initiate a scientific check-up of electrical circuits. It simplifies the problem surprisingly.

The other is our "Industrial Guide for the Selection of Wire and Cable". Brand new, it is the only thing of its kind in the electrical industry. Scores of situations are described and an engineering recommendation is given for the correct wiring solution of each.

BT528



Company

Sales Offices in Principal Cities

California's Take

Tourist trade spends \$267,111,638 there in 1936. Winter season in Southern California draws more visitors.

LAST week Californians, Inc., energetic tourist promotion bureau for the San Francisco area, and The All-Year Club, ditto for Los Angeles, gave out the results of their work for 1936. They showed that 1,707,004 tourists came to California last year and distributed \$267,111,638. Some \$188,891,139 of the total went to Southern California.

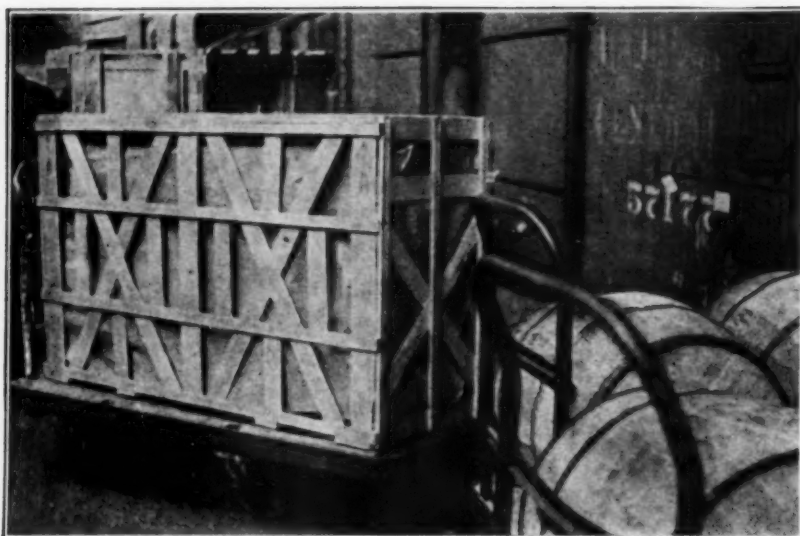
Where the Money Goes

Because the tourist trade is one of the major industries in the Golden State, the two bureaus analyze the characteristics of the business from every angle. They've found out, for instance, that, of the total money spent last year by the average tourist in the state, 31.5% went for food, 25.3% for lodging. The gasoline, oil and auto repair shops got 11.1%, the theaters 5.3%, clothing stores 4.5%, local transportation companies 7.5%. Camera supply and service stores received 2.2%. The average visitor spent \$4.62 a day and remained in the state about 13 days. Approximately twice as many came by automobile as by trains, buses, steamships, and planes.

In Los Angeles there is rejoicing because Southern California attracted 40% more tourists this winter than in 1929. The All-Year Club reports a total of 550,871 visitors by automobile during the period from September 1, 1936 to February 28 this year, an increase of 38% over the 1935-36 winter season. At the peak of the influx, says the club, hotels and apartments in Los Angeles were filled to 99% capacity. During the six months traffic increased 10% on the bus lines over last season, 50% on railroads, 44% on air lines.

Competition Worries

Both bureaus are worried about increasing competition from other sections—and they don't mean Florida. They are disturbed at the rising volume of community travel advertising and point out that New England, as a whole, and Maine, New Hampshire, and Rhode Island individually have entered the lists, aiming at the great Middle Atlantic population. Then there's New York, which has embarked on what Californians, Inc. describes as "a tremendous campaign" centered in the territory that last year sent the Golden State almost 30% of its total visitors. Michigan, Wisconsin, and Minnesota are concentrating on the Middle West, and following the lead of New Mexico, Arizona, and Oregon, Washington is planning a \$250,000 biennial appropriation to attract tourists.



ON LOSING BUSINESS—Millions of dollars' worth of damaged goods are paid for each year by insurance companies, while poorly prepared shipments are responsible for untold loss of customer good will, according to the Association of American Railroads. A good crating job (left) means safe delivery; slipshod packing (below) gives point to the association's statement.



Association of American Railroads

Railroads Reach for Perfection

—And the shippers give them a helping hand. Figures show they have cut down damage claims, but the flood is another story.

THE railroads, only now coming to grip with the question of the degree in which they will accept liability for loss and damage of freight in the Ohio and Mississippi River Valley floods, this week looked on approvingly as the Shippers' Regional Advisory Boards, working from the Chicago office of the Association of American Railroads, showered newspapers and magazines with publicity about Perfect Shipping Month: a month devoted to efforts to reduce, by education as to better packing and crating and more careful handling of freight, the sum paid out annually by the carriers for loss and damage.

What About Flood Damage?

Flood liability, mulled over at a meeting of freight claim agents in New Orleans last week, is something the railroads don't like to talk about publicly. Behind the scenes, however, railroad presidents and members of their legal departments are devoting a great deal of railroad brains and stenographic energy to it. Liability claims will run into the millions of dollars. No individual carrier will be bound by majority opinions voiced in the New Orleans gabfest, or in earlier gabfests in Chicago. But the general policy of the railroads, though the floods in law were acts of God, will be to accept liability where contributory negligence on the part of the carrier seems clearly to have been a cause of the resulting damage. Each case, however, will rest on its own merits. And the railroads,

though they are eager to clear up all questions of flood damage as quickly as possible, will be reasonably certain they were guilty of contributory negligence before they pay off.

April "Perfect Shipping Month"

Perfect Shipping Month, like the bright child in any family, is something very different. To the shippers of America, the Shippers' Regional Advisory Boards, with the blessing of the Freight Claims Division of the Association of American Railroads, offers Perfect Shipping Month (April to you) as something to look at and write home about.

The campaign is an educational one. And the men who are running the show admit frankly that its success depends largely on the willingness of newspapers and magazines to devote space to it, and of luncheon clubs to listen to speakers armed with statistics furnished by the publicity set-up. They have no vaudeville midget and no international banker on whose lap to dump her, and the campaign is lacking not only in stage-setting but in the element of action, with which most publicity campaigns are brought to life. It is a matter of "Here, gentlemen, are our figures. We hope you will be able to make use of them." And, though the figures aren't the kind seen on the beaches along Florida's East Coast, a surprising number of newspapers, trade journals, and magazines this week prepared to give space to them.

Buried in the set-up's prosaic press releases are some interesting and important facts. The Freight Loss and Damage Account of the railroads leaped from \$17,946,049 in 1935 to \$20,920,487 in 1936, with no flood as devastating as those which swept down the Ohio and Mississippi River valleys this year. This was an increase of 16.6%, and increases in numerous individual classifications were larger. Concealed damage leaped from \$1,843,317 to \$2,307,775, a jump of 25.2%. Damage due to defective or unfit equipment hopped from \$924,716 to \$1,207,653, a jump of 30.6%. Damage due to train accidents rose from \$764,062 to \$1,044,309, an increase of 36.7%.

Winter Damage in '36

Prod to these and other skyrocketing figures, according to the Freight Claims Division of the Association of American Railroads, was the greater volume of freight traffic handled by the railroads as the business curve turned upward. Chief reason for a jump of 70.5% in damage due to freezing or heater failure, however, (the dollar figures leaped from \$592,201 in 1935 to \$1,009,482 in 1936), was the cold winter of a year ago. And damage in some categories actually showed decreases.

Damage due to theft of entire package sank from \$457,791 in 1935 to \$352,034 in 1936, a decline of 23.1%. Damage due to theft of other than entire package dropped from \$383,945 to \$336,758, a decline of 12.5%. Damage due to error of employee was shaved from \$223,512 to \$219,879, a cut of 1.6%. And damage due to improper refrigeration and ventilation was slashed from \$202,875 to \$174,787, or 13.8%.

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Big as the total of freight claims paid out by the railroads in 1936 is, it is small in comparison with the total of payments in earlier years. In 1920, total payments amounted to \$119,833,127. In 1924 they were cut to \$45,975,675, and in 1930 they were reduced to \$36,239,640.

Reductions in payments have been brought about through more careful handling by the railroads, by education of shippers as to better means of packing and crating, and by the vigilance of special railroad police in preventing thefts.

Goods Sought by "Fences"

Claims for loss or damage of boots and shoes, marketable manufactures eagerly sought by "fences" for stolen goods, dropped from \$3,971,038 in 1920 to \$42,152 in 1936. Claims for tobacco and tobacco products, also highly marketable, tobogganed from \$10,760,232 in 1920 to \$257,379 in 1936. And claims for loss of candy and confections sank from \$896,686 in 1920 until, in 1929, they became too small to merit a separate calculation by the railroads.

Today, though the railroad police seek to protect all freight, including such marketable or actively-sought-after products as shoes, shirts, and coal, they give special attention to such highly marketable products as whisky, and cigarettes.

Armed Guards for Trains

Specially picked men, armed with rifles, ride the freight trains hauling whisky out of such distillery cities as Baltimore, Louisville, and Peoria, Ill. Other picked men ride freight trains hauling cigarettes out of tobacco-manufacturing centers such as Winston-Salem, N. C. When the cars they protect are switched to other roads at transfer points, new groups of picked men take them over and see them through.

No carload of whisky has ever been hijacked on an American railroad, and it has been years since an American railroad has lost a whole carload of cigarettes. Now and then, however, some railroad loses part of a carload of smokes, usually when the car is sidetracked in railroad yards.

25.4 mm. @ 68° F.=1 in.

CROWNING a series of international technical negotiations, the International Committee on Weights and Measures announces that every nation with a right to be called industrial, 33 in all, has adopted the twin standards: (1) the inch-millimeter ratio for industrial use is 25.4; (2) the reference temperature at which all weight and measure comparisons must be made is 20 deg. C, or 68 deg. F.

WHAT MAKES IT

SO DELICIOUS?



ANSWER:

Sturtevant Air Conditioning

Yes, Sturtevant Air Conditioning helps to make this chocolate bar delicious to the eye... and to the taste! It assures a firm, glossy coating for the chocolate... prevents "graying". It also spells clean plant air... maintains healthful, sanitary conditions for the good of product and workers.

Who uses Sturtevant Air Conditioning to "Make it so Delicious"? Louis Sherry, Inc., Hardie Bros. Candy Co., Wilbur Suchard Chocolate Co., Life Savers, Inc., Eatmor

Chocolate Co., and Bennett-Hubbard Candy Co. are a few of the many.

Sturtevant Industrial Air Conditioning Systems are engineered and installed by Cooling and Air Conditioning Corp., Division of B. F. Sturtevant Co.

B. F. STURTEVANT COMPANY
HYDE PARK, BOSTON, MASS. Branches in 40 Cities

THE COOLING AND
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Sturtevant

REG. U. S. PAT. OFF.

Puts Air to Work

WORLD'S LARGEST MAKERS OF AIR HANDLING AND CONDITIONING EQUIPMENT



Financing Reforms Under Fire

Investment bankers pick holes in suggestions made by possible successor to Landis as chairman of SEC, cite commission's own rules against Douglas.

IF William Orville Douglas of the Securities and Exchange Commission is named chairman of SEC this fall it won't be the result of any "Douglas for Chairman" boom in investment banking circles. Mr. Douglas, since his speech advocating investment market reforms before New York's bond club last week, has not been the bond men's candidate for the job James M. Landis will leave open when he quits the commission to become the dean of Harvard's law school next September.

It isn't that the bond houses are up in arms over Mr. Douglas' proposals; it's more that they feel that his remarks weren't very well thought out. And at least one of his suggestions, the investment fraternity feels, bordered on the ridiculous.

A Bad Taste

This least palatable idea was that corporate financing should be handled through competitive bidding. It couldn't be worked under the SEC's own rules, the underwriters contend.

Here's the catch. The SEC demands that new issues be brought to it for scrutiny. These offerings are in "quarantine" for 20 days before the commission declares the registration certificate effective and allows their sale to get under way. If the underwriters had to buy the bonds or stocks at auction before they were submitted to the SEC for scrutiny, and if prices went down during quarantine, they would be stuck before they ever offered the issue to the public. The syndicate's discomfort would worry the market (it

always does) and prices would be further depressed in consequence. On a single big issue a lot of the large investment houses could conceivably go under.

For illustration, take the recent issue of \$130,000,000 Philadelphia Electric bonds. The issue was ready for the market before the recent break in bond prices, but all concerned knew that the market was in a touchy condition. So the underwriters got the deal on a flexible contract and were able to set the price in the light of market conditions at the time the issue actually was put up for sale.

Had the Philadelphia Electric bonds been sold on strictly competitive bidding (there was competition aplenty, bond men say, as there is for most business these days) the syndicate would have been stuck at the bid price. Before the bonds got out of quarantine, listed prices were down two to three points; quotations sunk rapidly before the offering was all sold.

Under such circumstances underwriters couldn't afford to compete for issues, they say, unless they were allowed much more liberal profit margins to compensate for the additional risks which they would be taking.

Cites "Corporate Kidnaping"

Competitive bidding, however, was only one of the commissioner's recommendations. He doesn't want investment bankers to have a grip on the borrower in various ways that he cited: through a seat on the board of directors, through a "strategic investment position," through "subtleties of friend-

ship," through "an inertia which has never been challenged." Control of this sort, by means of which the bond house becomes banker for XYZ Manufacturing Corp., he classifies as "corporate kidnaping."

That sort of thing was rampant in the 1920's, bond men admit. Everyone knew who was going to handle Insull's financing (but they forget that Insull's banker got the business because the house handled his deals at a time when he needed banking most and found it hard to get).

The bond houses feel that when they are "in" a corporation they are rendering a service. They think that they help in formulating constructive financial policy, and they contend they are discharging an obligation to the buyer of securities by looking out for his investment.

Wants a Divorce

Another of Mr. Douglas' suggestions was that the underwriting and distributing ends of the business be divorced. He overlooked the fact that there really are three operations. The original underwriter is an originator who takes a commission on the entire deal. Within three days, though, the underwriter has formed an underwriting syndicate which really takes all the risk—and this syndicate naturally gets a commission for its risk. Then the offering is sold to dealers all over the country, and the usual thing is that the retailers get only three-quarters of a point out of the \$2 per \$100 commission.

Bond men feel that divorcing the underwriting and distributing function would mean that the underwriter would have the deal for only three days, would have to be satisfied with a commission representative of three days' risk. The selling group thereafter would take the risk and demand commensurate gross profit. To handle deals that way, bond houses feel they would need more capital. (Mr. Douglas suggests that they should have more, but forgets that it was the divorcing of investment houses from commercial banks which caused present limited capital.)

Yes, for a Price

As for the commissioner's demand for "vitalization of indenture trustees" more truly to represent their "trust," the trustees are willing—at a price. As to Mr. Douglas' request for elimination of non-voting stock, the New York Stock Exchange put the kibosh on that trick nearly a decade ago. Investment houses don't care much if options are eliminated, as they aren't very common these days anyhow. And on the proposal that underwriters be dispensed with on deals that will sell without push, they say, "Go to it."

Pictures, Inc.



WANT GAS RULE—Regulation by the Federal Power Authority of interstate sales and transportation of natural gas was urged by John W. Smith, former mayor of Detroit and chairman of the City Alliance (left), and Harold W. Burton, mayor of Cleveland, before the House Interstate Commerce Commission. "Excessive" rates were charged.

Washington—Labor Capital

C.I.O. does the best public relations job. A.F. of L. reflects an older formality. The government, obviously, is a very good neighbor.

WASHINGTON (*Business Week Bureau*)—By any measurement, Washington is the labor capital of America, and this week's events proved once more that no matter where the spotlight may swing—to Detroit, New England, the West Coast, or other sections—it beats most brightly and constantly on the legislative, executive, and judicial offices of the federal government.

Business reporters who cover Washington have had their hands full since the turn of the year in keeping up with labor news and views. As they go about the job these days, the old routine of watching Senate and House committees, calling on the Administration officials in the Department of Labor, and keeping an ear turned toward the White House has become only part of the observer's duties. Reason: the increased activity of other departments and the militant growth of labor organizations outside the government but more or less in step with Administration policies.

Despite the vigorous opposition of minorities, or the opinions of employers who feel that one policy is "right" and another "wrong," the Administration and the organized labor groups that voted to back the New Deal for a second four-year whirl are moving toward widespread organization of wage earners. After that—wage and hour revisions, step by step. And the closed shop, plant by plant.

Reversing the Sitdown

Matched against the importance of ultimate objectives, such debates as that which has raged around the sitdown tactic lose interest on the Potomac. Washington officials aren't much concerned about the sitdowns—the heat has been off since the Chrysler strikers pulled out of the shops, and little sleep has been lost because of the new technique since then. Only defense offered for sitdowns, in government circles, runs like this:

"Who sat down first? The employers did, when they refused to obey the law in the Wagner Act cases. Injunction after injunction was slapped on that act, and it became almost inoperative. It was declared 'guilty until proven innocent.' That's your real sitdown."

To the question "What effect will the Supreme Court decision on the Wagner Act have, either for or against, on organized labor's campaign?" the answer is "Not much of any real effect." At the Washington headquarters of

John Lewis' Committee on Industrial Organization, they feel that a decision upholding the act would add momentum to their drive, that a ruling against it would intensify the crusading spirit of the union organizers. In these opinions, government offices concur. The court's silence has become such an accepted fact that the campaigners aren't hesitating on that account.

Congress, hearing from the folks at home that "something should be done" about labor disputes, got a bit jittery while the Chrysler plants were still filled with strikers and the President was still at Warm Springs, but calmed noticeably when these sitdowns ended. This week, the Administration was breathing easily. Confidence was evident that the court changes would eventually go through as scheduled or nearly so, that the need for workable mediation methods to avert economic strife was clearly evident, and that eventually labor and management would assist in formulating the policy.

Headquarters of C.I.O. organizations

(there are a score of offices, under two roofs, in Washington) like to steer the talk away from hours, wages, closed or open shop, checkoff, and other incidental angles of their drive. They say the whole thing is simple: "Labor has the right to organize. It will organize. Let business men recognize that right and we'll have no trouble."

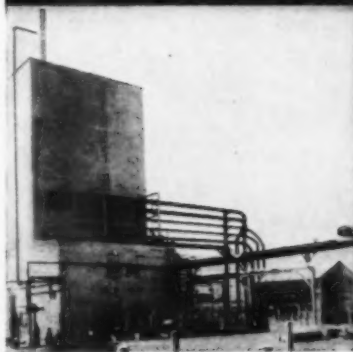
There have been reports during the past few weeks that C.I.O. and the American Federation of Labor were composing their differences, that the two big labor groups would "get together" and even now were getting welding machinery ready. No basis can be found for such reports, and the spokesmen deny them flatly.

C.I.O.'s Open Door

Differences between A.F. of L. and C.I.O., incidentally, are more apparent to the Washington observer than perhaps to anyone else. The C.I.O. has gone in for public relations in a large, expensive way. New executive offices for Brophy and staff are in the newest building in the city. Elevator boys answer questions pleasantly, the visitor's business is expedited all along the line, no doors are closed to the business reporter. Brophy is easy to see, easy to talk to. He is concerned more with organization problems within the C.I.O., as director of the committee, than

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DESIGNERS BUILDERS PRODUCERS MANUFACTURERS DISTRIBUTORS



FIRST GAS PURIFICATION PLANT TO USE NEW PATENTED KOPPERS PHENOLATE PROCESS—Erected by the Engineering and Construction Division of Koppers Company, this plant began operations in August, 1936, for the Standard Oil Company of California at El Segundo, producing as a final product, large quantities of sulphuric acid from formerly wasted materials. The first plant of this type in the East will be operated by the Atlantic Refining Company's Philadelphia Refinery. This plant will recover 95 per cent of the hydrogensulfide from 22,000,000 cubic feet of refinery still gases a day, at 225 pounds pressure.

KOPPERS DIVISIONS, SUBSIDIARIES AND AFFILIATES
 American Hammered Piston Ring Division
 Bartlett Hayward Division
 Boston Towboat Company
 Eastern Gas and Fuel Associates
 Engineering and Construction Division
 Gas and Coke Division
 Hiller Engineering and Construction Company, Inc.
 The Koppers Coal Company
 Koppers-Rheolaveur Company
 The Maryland Drydock Company
 Mystic Iron Works
 Mystic Steamship Company
 New England Coal and Coke Company
 Tar and Chemical Division
 Western Gas Division
 The White Tar Company of New Jersey, Inc.
 The Wood Preserving Corporation



Illustrated Book on Koppers sent to Executive on Request.

KOPPERS COMPANY, PITTSBURGH, PA.

with specific angles of steel, coal, textile, or automobile campaigns.

If you want to talk steel or coal, the C.I.O. has offices for them, too, although most of the steel organization is in Pittsburgh. In the absence of John L. Lewis, his brother meets the public at the United Mine Workers offices. A. D. Lewis looks something like John L., is younger and not so well known, but is not at all backward about speaking out.

Contrast With A.F. of L.

Throughout the C.I.O., a great deal of housekeeping has been done, to show a glistening, smooth-working plant for the visitor's inspection. In Washington, the secretaries, telephone operators, and assistants are all young, bright, and smiling. (Sidney Hillman and Len De Caux have the same kind of setup in New York. Phil Murray runs a quick-stepping outfit in Pittsburgh.) Lots of the C.I.O. helpers are young women, and most of the young women are good-looking. They are not, however, merely ornamental.

A.F. of L. offices in Washington are older, more sedate, calm. The federation has its own building, and William Green has his offices there, as do many assistants. Getting in to them involves much more red tape than is required at C.I.O. headquarters. Secretaries are able, veterans in the service, dignified, reserved. Appointments to see the boss must be made quite a bit in advance. There's not so much opportunity for informal, off-the-record chatter at the federation offices, but they know their industrial history and organization policy thoroughly. In brief, A.F. of L. office workers know their unions and union problems better than do C.I.O. office workers, but C.I.O. helpers know better how to meet and deal with the public.

Incidentally, some C.I.O. people are former government workers. Lee Pressman is one—he is now chief counsel to C.I.O., and he used to be a young lawyer in the AAA. His brother-in-law is Jerome Frank, one of the original New Dealers and now part-time counsel in power litigation for PWA. C.I.O. took another government worker this week, in the person of Solomon Barker, who was chief of staff in the labor section of the industrial economics division, Department of Commerce. He now is research director for the textile organization campaign.

Trouble-Shooter

Labor officials in the Administration aren't purely office executives. Ed McGrady, assistant secretary, gets out to the West Coast, flies back to Detroit, drops in on Akron, as the tough situations pop up. When he is in Washington, his door is open to business reporters at all times. He may not get to touch

his desk, piled high with mail and memoranda, until after 5 p.m.—when most government workers have quit and gone home. McGrady studies the history of labor, sees the present uproar as a continuation of a long fight. Smooth and convincing talker, expert in rounded phraseology when he wants to be (as witness his public addresses and radio speeches), the top conciliator really goes to town when he can tear into a labor problem informally with the friends who call him "Ed." He is a linguistic Joe Louis, with plenty of knowledge about verbal boxing but a preference for the straight, hard punch.

Not to be overlooked on the labor trail in Washington is Dr. Isador Lubin, commissioner of labor statistics. Young, straightforward, he has little use for speculative imagination. Nothing disturbs him more than inaccurate reports, rumors, or "publicity" which has no basis in fact. Back of him are a multitude of fact-finders, and in no one place can the current figures on wages, hours, unemployment, and other labor measurements be so readily obtained, as in his office. If Lubin's name comes up in Washington, the comment is likely to be: "Oh, Lubin? He's a grand guy—knows his business, too."

Is F.D.R. Behind J.L.?

Most frequently-asked question in Washington labor talk: "Is the Administration backing John L. Lewis?" And the answer: "No, not exactly, a lot of people don't like him and don't mind saying so. But John's parade is rolling down New Deal Avenue and the merchants who have things to sell along that street like to see the traffic heavy." Right now, all of the prestige in the labor movement is not accruing to Lewis; part is going to Sidney Hillman, Phil Murray, Lee Pressman, John Bro-

phy. The Capital frankly doesn't think Lewis is a one-man revolution or a one-man menace.

Rounding it all up, Washington is heavily one-sided, honing for New Dealistic confirmation and coordination of labor unionism on a national scale. On top of a broad base the dealers plan to build a new conception of profit-sharing between employers and employees. And of all the dozens of persons involved, one still seems bigger than any other, with nobody even crowding him. He is Mr. Roosevelt.

More Output Needed

To cut unemployment to 1929 level, production must rise 20% above peak year, says WPA study.

BEFORE this country can expect to cut unemployment to pre-depression levels, it must look to a much quicker expansion of production than has occurred between 1933 and 1935. In fact, a rise of 20% above the volume of goods and services produced in 1929 would be necessary in order to reduce unemployment in 1937 to the level of 1929, even if there were no technological advance over 1935. This was the salient conclusion indicated by a study on "Unemployment and Increasing Productivity" made by David Weintraub and Harold L. Posner under the auspices of the WPA.

What is the outlook for the immediate future? The authors of the report reply that it "seems to be in the direction of further technological progress toward a level of productivity substantially higher than that attained prior to 1929" and further that "dislocations occasioned by technological progress



BIG NEWS. NOW—Labor news is a leading news assignment these days. So Speaker Bankhead (center) and Representative Rayburn, right, are besieged by reporters as they leave a White House conference on labor.

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In a letter addressed to Harry Hopkins, accompanying the report, Corington Gill, assistant WPA administrator, asserts that the report suggests the desirability of setting up governmental machinery to keep informed on technological changes in their relation to labor. Such data, it is argued, would furnish the basis for any needed changes in "hiring policies, dismissal wages, hours of work, retraining, employment office programs and policies, unemployment insurance, relief and other forms of social security."

Output—Jobs Disparity

Following are some of the other outstanding conclusions of the report:

1. The movement of production and the movement of employment were considerably out of joint in the period 1920-1935. By 1935 the volume of goods and services produced stood at 114% of that of 1920, while the man-hours of employment were estimated at only 82% of the base year. Again, in the relatively prosperous 'twenties, while the total labor supply rose by 21% from 1920 to 1929, employment in man-hours expanded only 16%. In other words, the country's production didn't grow fast enough to take up the labor displaced by technological changes and added by population growth and changing age conditions.

2. From another angle, the country could not have reached the productive level of 1929 if the ratio of output to employment had not risen considerably, inasmuch as the total labor supply expanded only 21% from 1920 to 1929, and output, 46%.

Wanted: Labor Data

3. The report suggests that this circumstance—an increase of 46% in output accompanied by an increase of only 16% in man-hour employment—"represents part of the answer to the oft-repeated question: Why was there still a tremendous volume of unemployment in 1935, although most business indicators show that business was about as good during 1935 as it was during the prosperous years of 1923-1925?"

4. The WPA investigators found that information was fragmentary, subject to qualifications, or totally lacking on important questions centering around the impact of technology on labor. What actually happens to a worker who has been displaced by the machine? What is the source of the labor supply in expanding occupations and so-called new industries? To what extent is labor mobile in connection with migration of industries? In what measure is the retraining of displaced skilled workers successful? On all such questions more data are needed.

NEW ROOF ON 21 DAYS AHEAD OF SCHEDULE



● Twenty-one extra working days—504 extra hours of production time because GYPSTEEL PLANK was used for the roof-deck. PLANK can be handled as fast as wood, but gives the strength, rigidity and permanence of a masonry material. Ready-made for quick installation in new or old buildings, it cuts labor costs, saves time, trouble and money. Don't wait—you can re-roof now—without interruption of production schedules, for PLANK can be put on as fast as the old roof comes off. Write for PLANK Bulletin giving complete information. Structural Gypsum Division, American Cyanamid & Chemical Corporation, 50 West 50th Street, New York, N. Y.

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From the varied line of units and systems made by Clarage can be chosen conditioning equipment to meet every requirement. Consult your architect, engineer or contractor—or write us.



RIGHT EQUIPMENT plus LONG EXPERIENCE

Who knows most about air conditioning? Logically, those few companies which specialize in this particular field.

Clarage is expert in air conditioning because we design and build nothing but air handling and conditioning equipment.

Here at Clarage Fan, for a quarter century, all research and development, every fa-

cility and resource have been directed toward methods and apparatus for handling and conditioning air more efficiently.

From our wealth of experience, gained on almost every conceivable type of installation, can come valuable suggestions for making your job a success at the lowest possible cost.



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Who Shall Control Advertising?

After a four-year fight, Federal Trade Commission outmaneuvers the Food & Drug Administration in fight for control of food and drug advertising.

SCARCELY had the New Deal swept into Washington five years ago than advertising men, in common with a good many other business men, knew they were in for a drubbing.

They didn't have long to wait, for early in the year Sen. Copeland dropped in the hopper a new food and drug bill. Nobody was much surprised that the measure gave the Food & Drug Administration authority to regulate advertising, for the lack of that power had long been recognized even by industry as a defect in the organic act. What did exercise them was the stringency of that proposed control, banning even advertising which "by ambiguity or inference" might create a "misleading impression."

"Tugwellisms" Trimmed

Then began the long and tedious job of routing out of the bill what advertising interests considered was the manifest animus of Rexford Guy Tugwell, erstwhile Assistant Secretary of Agriculture. Through three long years they worked at the job, until they and all other interests affected by the legislation were pretty well satisfied with it.

Everything seemed all set for the bill to slide through Congress last year, when—crack!—it bumped smack up against opposition in the House to giving any bureau remotely connected with Tugwell control over advertising. A majority of representatives insisted that administration of those provisions in the bill should be given to the Federal Trade Commission.

There was nothing novel in that thesis—it had been advanced by Judge Davis of the commission at the first public hearing on the bill early in 1934 and it had formed the basis of several bills sponsored chiefly by the Proprietary Association and other patent medicine interests. What was surprising was that the idea had been sold so thoroughly to a bloc of representatives that they would scotch the whole bill rather than yield on that point.

Preferred FTC Regulation

It is candidly admitted by food, drug, and cosmetic advertisers that regulation by the Trade Commission would be less onerous than regulation by the Food & Drug Administration. In that respect the objective of the medicine men is generally hailed, but since F&DA must administer other sections of the act dealing with adulteration and misbranding it is argued that a split administration would make for trouble.

Something of this point of view was expressed just one year ago at hearings on a bill to expand the powers of the Federal Trade Commission by giving it authority over all "unfair or deceptive acts or practices in commerce" instead of just those in which injury to a competitor could be proved, as required by the Supreme Court's interpretation of the existing FTC act. "Deceptive acts" was obviously intended to include false advertising, and food and drug manufacturers argued that this would subject their copy to double jeopardy inasmuch as the F&DA would—and should—under Copeland's food and drug bill keep an eye on their antics.

This year, the inter-bureau wrangle over the issue of advertising control has broken out in even more virulent form. Even before the Senate passed the Copeland food and drug bill a month ago, providing for regulation by the Department of Agriculture bureau, supporters of FTC had laid their lines to outsmart the opposition.



TOO BUSY—With the Supreme Court issue occupying most of the time of the Senate Judiciary Committee, Sen. Millard E. Tydings hasn't had much opportunity to plug for his national fair trade law or persuade his colleagues to report it out.

To the House bill for expansion of FTC's powers, sponsored by Rep. Lea, new chairman of the Interstate & Foreign Commerce Committee, they successfully secured the addition of a new section, specifically providing for the regulation of all food and drug advertising by the Federal Trade Commission's cease and desist system, supplemented by injunctions when that tardy procedure was unequal to the task. This proviso adds insult to injury for it is couched almost entirely in the compromise terms toward which the Food & Drug Administration had fought its way in its long and persistent struggle.

Seeks to Curry Favor

The Lea bill seeks to carry water on both shoulders and curry special favor both with consumer and advertising interests by first providing that aside from FTC cease and desist orders, the Attorney General may bring civil actions for false advertising and then by holding that "no person shall be liable if he sustains the burden of proving he did not know that the advertisement was a false advertisement."

Fines specified in this section which, if enacted, would be virtually a dead letter are \$5,000 for an advertisement dangerous to health and \$1,000 for all other false advertising of foods and drugs. (This year's food and drug bill also makes a significant concession to advertisers, vigorously protested by consumers, by dropping all civil actions and penalties and specifying that advertising provisions shall be enforced only by injunctions.)

By taking such affirmative action as has been written into the Lea bill, adherents of FTC adherents hope to short-circuit F&DA, for if the commission bill beats the food and drug bill to enactment it will virtually nullify all provisions with respect to advertising control in the latter measure, requiring Congress to repudiate an act which it has just translated into law.

It Has a Chance

And that objective stands more than a fair chance of accomplishment, for Rep. Lea has obligingly pigeon-holed the Copeland bill in a subcommittee which is "studying" that measure and its so-called House companion bill, introduced by Rep. Chapman, which differs in several notable—and tougher—particulars.

Meanwhile the FTC scheme is being pushed ahead rapidly. The Senate passed the Wheeler bill last week. This is the theoretical companion measure of the Lea bill in the House, and although like the latter it gives the commission power over deceptive acts and limits to 60 days the time in which a respondent can apply to the Circuit Court of Appeals for hearing on an

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HARTFORD

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Annual Statements



December 31, 1936

THE TRAVELERS INSURANCE COMPANY

(Seventy-third Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES	
United States Government Bonds	\$313,501,227.00	Life Insurance Reserves	\$728,507,080.20
U. S. Government Guaranteed Bonds	6,896,650.00	Accident and Health Insurance Reserves	10,222,682.17
Other Public Bonds	79,013,905.00	Workmen's Compensation and Liability Insurance Reserves	52,074,099.39
Railroad Bonds and Stocks	60,967,997.00	Reserves for Taxes	4,006,618.49
Public Utility Bonds and Stocks	69,685,513.00	Other Reserves and Liabilities	2,519,128.84
Other Bonds and Stocks	42,577,767.00	Special Reserve	15,617,099.70
First Mortgage Loans	58,335,379.46		
Real Estate—Home Office	11,878,356.04	Capital	\$20,000,000.00
Real Estate—Other	49,251,497.76	Surplus	27,524,646.45
Loans on Company's policies	117,802,455.28		47,524,646.45
Cash on hand and in Banks	14,618,386.68		
Interest accrued	8,101,907.81		
Premiums due and deferred	27,258,231.46		
All Other Assets	582,081.75		
*TOTAL	\$860,471,355.24	TOTAL	\$860,471,355.24

THE TRAVELERS INDEMNITY COMPANY

(Thirty-first Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES	
United States Government Bonds	\$6,877,082.00	Unearned Premium and Claim Reserves	\$8,159,709.45
Other Public Bonds	1,951,908.00	Reserves for Taxes	376,411.35
Railroad Bonds and Stocks	1,429,246.00	Other Reserves and Liabilities	481,253.91
Public Utility Bonds and Stocks	1,265,442.00	Special Reserve	7,904,524.70
Other Bonds and Stocks	12,021,111.00	Capital	\$3,000,000.00
Cash on hand and in Banks	1,457,775.60	Surplus	6,909,966.20
Premiums in Course of Collection	1,743,755.96		9,909,966.20
Interest accrued	85,545.05		
*TOTAL	\$26,831,865.61	TOTAL	\$26,831,865.61

THE TRAVELERS FIRE INSURANCE COMPANY

(Thirteenth Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES	
United States Government Bonds	\$11,716,788.00	Unearned Premium and Claim Reserves	\$12,986,616.90
Other Public Bonds	500,376.00	Reserves for Taxes	481,068.74
Railroad Bonds and Stocks	1,053,013.00	Other Reserves and Liabilities	102,060.47
Public Utility Bonds and Stocks	2,709,483.00	Special Reserve	2,474,135.53
Other Bonds and Stocks	3,321,986.00	Capital	\$2,000,000.00
Cash on hand and in Banks	2,127,000.35	Surplus	5,031,973.70
Premiums in Course of Collection	1,509,243.50		7,031,973.70
Interest accrued	120,396.19		
All Other Assets	17,569.30		
*TOTAL	\$23,075,855.34	TOTAL	\$23,075,855.34

THE CHARTER OAK FIRE INSURANCE COMPANY

(Second Annual Statement)

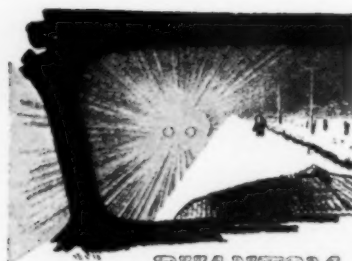
ASSETS		RESERVES AND ALL OTHER LIABILITIES	
United States Government Bonds	\$1,005,055.00	Reserves for Taxes	\$ 1,164.52
Cash on hand and in Banks	213,365.08	Capital	\$500,000.00
Interest accrued	5,356.78	Surplus	722,612.34
			1,222,612.34
*TOTAL	\$1,223,776.86	TOTAL	\$1,223,776.86

All bonds not in default are valued on the amortized basis and all other bonds and stocks at valuations provided by the National Association of Insurance Commissioners.

*Assets include securities deposited with State and other authorities, as required by law:

The Travelers Insurance Company \$19,705,962.00; The Travelers Indemnity Company \$1,199,089.00; The Travelers Fire Insurance Company \$683,000.00; The Charter Oak Fire Insurance Company \$300,000.00.

ALL FORMS OF LIFE, CASUALTY AND FIRE INSURANCE



PHANTOM NIGHT DRIVING GLASSES

Eliminate Headlight Glare

WE GUARANTEE PHANTOMS WILL
Eliminate all glare from approaching headlights. . . . Give clear vision of entire right half of road. . . . Permit all objects on road within normal view of driver to remain visible in face of approaching glare. . . . They may be worn with or without regular glasses. They will be mailed, postpaid, in a beautiful steel case upon receipt of check or money order for \$3.50.



198 Broadway
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BREWER
MFG. Co.
Home Office
1617 University
Ave., Saint Paul
Minnesota

116-A West Dryden, Glendale, California

USE THE COUPON

BREWER MFG. CO.,
Please mail to me, postpaid pairs
PHANTOM NIGHT DRIVING GLASSES
at \$3.50. I attach my check or money order
for \$

Name
Street and No.
City State

PHANTOMS are sold with a positive
MONEY BACK GUARANTEE

Metals in Review

- World production, consumption, prices (daily for 1936) including the standard Engineering & Mining Journal metal price chart showing the trends from 1897.
- The economical and statistical position of the major non-ferrous metals by internationally known authorities with charts in color showing the trends in the uses for six major metals for the period 1929 to 1936.
- A sixteen page reprint of factual data. Price twenty-five cents, postpaid, while they last. Address Engineering & Mining Journal, 330 West 42nd St., N.Y.C., U.S.A.

FTC cease and desist order, it does not contain any provisions with respect to regulation of advertising.

In the inevitable conference that is now not far removed it is probable that Rep. Lea and the House conferees will prevail, for the Senate conferees are not likely to come from Sen. Copeland's Commerce Committee, which has handled the food and drug fight for four years, but rather from Sen. Wheeler's pro-FTC Interstate Commerce Committee. However, remembering last year's bitter fight over this issue, the Senate may send well-instructed delegates intent on effecting some compromise or just throwing a monkey wrench in the machinery.

If the Food & Drug Administration loses out in conference, it will be forced into the defensive rôle which FTC has played so long and so successfully. Its champions will have to fight on the floor of the Senate for rejection of the FTC measure.

Failing this, the last hope of F&DA and its consumer allies is a Presidential veto—a not unlikely possibility in view of Mr. Roosevelt's recent castigation of the Copeland bill as a weakling.

Western Ranges

Survey of sales potentials for electric ranges and water heaters dramatizes the West's buying power.

CONSUMERS in the 11 Western states will buy about \$13,000,000 worth of electric ranges and electric water heaters annually for the next few years, or about 65,000 ranges and 27,500 heaters every 12 months.

The market prospects for the two major appliance items are based on a survey by *Electrical West* of sales by 41 electric utility companies who serve 95.6% of the total domestic users of electrical energy in the area. Important because it provides significant indications to general business of buying ability in the West, the study reveals, for the first time, figures on sales saturation, a big factor in the replacement outlook. It discloses that the range saturation for the area is now 14.3% or more than twice that of the national figure. Water heater saturation is 5.6%.

Sales of the two appliances during 1936 (in an area representing only 12.7% of the domestic customers of the U. S. electric utilities) were 55,000, or 18% of the 308,000 sales total for the entire country. Water heater sales (24,000) were 23.7% of the total 104,000 units sold in the U. S. last year. All this is decidedly encouraging to the Western utilities as well as the manufacturers, wholesalers, and dealers who have laid special em-

phasis on sales of the two appliances in the Western states during the last year or so.

It was also found that one out of seven electric utility customers in the area cooks electrically. Among the 2,495,148 customers served, 357,606 use electric ranges, 136,046 use electric water heaters.

Range sales in 1936 were split almost equally between dealers and utilities. Dealers' sales of water heaters, on the other hand, were about half those of the central station companies. These figures are especially significant to the electrical industry, which is placing emphasis on cooperation!

Estimates Large Replacements

Electrical West, on the basis of its findings, estimates an annual replacement market for 9,000 ranges and another 9,000 water heaters. This is on the basis of a 15% saturation for the two appliances. In the event of a 25% saturation, there would be some 600,000 users in the 11 states. A few companies which already have attained a high degree of saturation estimate replacement sales as high as 50%.

Energy costs always have been an important factor in sales of the two items. The survey reveals that cooking rates in the territory vary from 3¢ to 1.5¢ per kilowatt hour. Water heating runs from a flat rate of 0.35¢ per watt per month to 0.75¢ per kilowatt hour for off-peak service.

Observers point to the record of two companies as indicating the possibilities for the entire area. The Eugene (Ore.) Water Board, municipally-owned enterprise, reports a range saturation point of 63.5% among its 6,797 customers. The Sierra Power Co. has 4,409 range users, 46.6% saturation.

Leads in Customers

Numerically, the Pacific Gas & Electric, San Francisco, has the greatest number of cooking customers in the 11 states, 37,900 out of 559,282 domestic consumers. Puget Sound Power & Light, with 153,418 customers, has 36,948 connected ranges.

Among the utilities with a range saturation point above 30% are Idaho Power Co., 47.2%; Salt River Valley Water Users' Association (Phoenix, Ariz.), 40%; the Turlock (Calif.) Irrigation District, 40%; California Oregon Power Co., 36%; Seattle Lighting Department, 35.9%; Tacoma Department of Public Utilities, 31.6%; and Washington Power Co., 30.8%.

In water heater connections, the Puget Sound Power & Light leads with 14,878 units, followed by Washington Water Power with 12,658. In saturation, the Tacoma Department of Public Utilities tops the 41 Western companies with 22.1%. Seattle Lighting Department is runner-up with 21.4%.

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Color Comes of Age

N. W. Ayer exhibit highlights newspapers' rapid development of color printing.

Most important trend in printing is color. Well timed, therefore, is the private exhibition of color printing in newspapers gathered by N. W. Ayer & Son, Inc., for preview in its home city, Philadelphia, and shortly to be displayed in other metropolitan cities not yet definitely determined.

Covering particularly the development of four-color process and color gravure since 1900, the exhibit reveals each step in the two processes from color shot or original artist's rendering through color separation and plate making to publication proofs, tossing in for good measure a comprehensive collection of metropolitan papers now using "spot color," plus dozens of examples of color newsprint old and new.

Over 500 American newspapers employ color regularly. In fact, Ernest F. Trotter, *Printing's* perambulant managing editor, told the annual printing trend meeting of New York Employing Printers Association this week that 373 dailies are offering run-of-paper color, that color advertising has grown 99.6% since 1934, and that color gravure display represents twice the revenue from plain brown-and-white.

It's no secret that newspapers are already utilizing cheap color as the flying wedge for their raid on juicy and hitherto unattainable national magazine accounts.

Many a newspaper is experimenting with four-color stereos with the pious hope that the day is near when all illustration, editorial as well as advertising, will appear in natural color. One well-informed old-timer prophesies that the day will come when a child, seeing a black and white picture of an apple, will think honestly that it pictures a black and white apple.

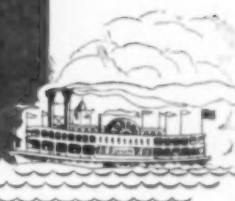
Check on Research Abroad

No business junket is National Research Council's European Laboratory Tour scheduled to sail May 19 on *S.S. Normandie*. Climaxing a series of domestic laboratory tours in former years, approximately 100 top industrial executives and bankers—no technical associates because Europeans see a potential Nipponese with coat lapel camera and overworked notebook in every engineer—will visit 14 English labs and scientific museums, 10 French, and 16 German, returning to the States July 5, via *S.S. Europa*. Labs include everything scientific from leather research to brewing to nickel to rubber to radium. Flat fee \$1,090 per voyager, with a fling at the Longchamps Grand Prix as not-to-be-missed extra.

Reinforced and joined with .192" EVERDUR wire which must possess and maintain a minimum breaking load of 4,000 lbs., these articulated concrete mattresses were an important factor in the embankments which flood authorities built in 1933 to restrain "Old Man River"



**Non-rust
EVERDUR
helps control
"Old Man River"**



IN THE form of wire, clips, saddles, U-bolts and nuts, hundreds of thousands of pounds of non-rust EVERDUR Metal were used by the Mississippi River Commission for articulated concrete mattresses installed as a flood control project in 1933-1934. Everdur was the logical choice for this important service because of its steel-like strength, high resistance to corrosion and extremely high fatigue limit.

Everdur is easily worked hot or cold, readily welded and lower in cost than other types of strong, non-rust metals. No wonder industry makes such extensive use of this adaptable Anaconda copper alloy!

If you need a high-strength, corro-

sion-resisting metal, consider EVERDUR. It is furnished in all commercial shapes—sheets, plates, rods, bars, wire, tubes, shells and ingots for casting. Write for Publication E-5.

A few of the many uses for EVERDUR Metal

- Tanks and heaters—1 to 20,000 gallons
- Nuts, bolts, screws, etc.
- Ductwork carrying corrosive air, fumes and vapors
- Pipe conveying corrosive solutions
- Electrical conduit
- Air conditioning equipment
- Screens, gates, etc., in sewage treatment plants

*EVERDUR is a trade-mark of The American Brass Company, registered in the United States Patent Office. 8790

Everdur Metal

RUSTLESS AS COPPER • STRONG AS STEEL



THE AMERICAN BRASS COMPANY General Offices: WATERBURY, CONN.
Offices and Agencies in Principal Cities In Canada: ANACONDA AMERICAN BRASS LTD., New Toronto, Ont.

Aetna Life Leads in number of
group policies in force!



**All Forms of
Group Insurance
Life • Accident
Sickness • Pension**

Through our trained Group Representatives we are equipped to analyze your employee's social problems and recommend the proper plan for your organization.

AETNA LIFE INSURANCE COMPANY

Founded in 1850 Hartford, Connecticut

COAST-TO-COAST CLAIM SERVICE

**Is Your Production
Department**

spinning?



It happens in the best regulated plants—in fact it *only* happens in plants that are going places. For it always takes place where everyone is concentrating on development. Suddenly you realize that things are going 'round and 'round but development is at a standstill. The cause is always the same. The absence of one little connecting link invariably produces the costly merry-go-round result.

Mallory has gained its staunchest friends in the automobile, radio, electrical and other industries by supplying products and engineering advice that *stopped the spinning* and opened new avenues to success!

P. R. MALLORY & CO., Inc.
INDIANAPOLIS INDIANA

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P. R. MALLORY & CO. Inc.
MALLORY

**PARTS FOR RADIO, ELECTRICAL,
AUTOMOTIVE AND INDUSTRIAL FIELDS**

**New Products—New processes, new designs;
new applications of old materials and ideas.**

FIRST public introduction to a new flame-proofing agent for textiles and paper occurred Mar. 31, at a press preview of the comprehensive duPont exhibition in the Museum of Science and Industry, Rockefeller Center, New York. The new chemical has no appreciable effect on the strength and "hand" of the materials treated. E. I. duPont de Nemours & Co. expects to begin manufacture shortly, warns that flame-proofing must not be confused with fire-proofing.

It may have been called an ugly duckling when it was first designed, but the new golf ball which makes its debut in



Business Week

match play at Bobby Jones' colorful National Masters Tournament in Augusta this week has proved itself to be something of a swan. The surface markings, responsible for the "ugly duckling" appellation, enable the ball to "get up" more quickly without loss of distance, give an illusion of increased size which seems to make the ball easier to hit. The new markings will be available shortly in the Tournament, Top-Flite, and "needled" Kro-Flite balls of A. G. Spalding & Bros., 105 Nassau St., New York.

"INSULA-PHANE" is the newly-coined name of a cellulose-type high-tensile, fire-resistant transparent wrapping material shortly to be marketed by Air Conditioning Textiles, Inc., 1441 Broadway, New York. Full size samples indicate that aromatic products wrapped therein do not lose aroma, even when subjected to oceanic shipment and tropical heat. Most surprising characteristic is ability to stretch under a hard pull and then return to shape.

As a result of the successful reception of its Spear Aspirin pocket box with one-at-a-time feed, Brisbane Box Corp., 2253 Union Guardian Bldg., Detroit, is about to extend the principle to one-drink-at-a-time, self-measuring liquor bottles, one-dose-at-a-time prescription bottles, one-shot-at-a-time tooth-powder cans, soap-powder boxes, cereal cartons, and what-have-you.

WITHIN the near future, Con-Fuse Co., A.V.I. Terminal Bldg., Wichita, Kan., will begin the marketing of an inexpensive adjustable fuse for neon signs, which cuts out defective units automatically and permits remaining units on the same transformer to function normally. Thus is preserved the greater part of the publicity value of a given sign, and the transformer itself protected.

COMPARABLE to the pork packer's traditional ability to use "everything but the squeal," is the "Eltekon Shredder" of Manufacturing Distributors Co., 46 N. 20th St., East Orange, N. J. This machine takes clean waste paper and shreds it into paper excelsior, of any width shred, at a cost less than that for wood excelsior and at the rate of 100-1000 lb. per hour. A smaller model, designed to shred confidential papers, will be ready shortly.

STAR-GAZERS may be particularly interested in the new Celestial Globe of Rand McNally & Co., Chicago and New York, but industrialists are chiefly impressed by the fact that economies



inherent in the globe's mahogany-color Bakelite base as molded by Chicago Molded Products Corp. will make it possible to sell the new outfit at one quarter the price of the previous model.

NEWEST aid to advertiser, printer, industrial designer is the "Allcolor Cabinet," designed by Arthur A. Allen, colorist. Each steel cabinet contains five sheets each of 340 different colors so precisely classified by name and number under the Munsell System of Color Notation that instant selection and accurate reproduction are insured. As color sheets are used up rapidly in layouts and general campaign planning, Allcolor Co., Inc., 527 Fifth Ave., New York, provides a fast reorder service on any specified color.

A.B.A.'s Check Plan

Bank Commission deprecates no-minimum checking accounts. Offers own check idea.

THUMBS down on the no-minimum checking accounts. Well, not exactly thumbs down, but certainly not thumbs up. That's the gist of a report this week by the Bank Management Commission of the American Bankers Association.

The commission not only deprecates the no-minimum-balance accounts, but goes so far as to propose a plan of its own, embracing an account maintenance charge plus an activity charge.

Four Systems Studied

The report follows a questionnaire survey of the banks which have adopted "pay-as-you-go" checking in any one of its four forms: (1) 5¢ for every item handled; (2) 10¢ per check, no charge for deposits; (3) sale of a book of checks, ranging from 6¢ to 10¢ per check with no other charge; (4) charge for a book of checks at 5¢ per check plus a charge of 5¢ for each deposit item (similar to No. 1).

In its conclusions, the commission asserts that inadequate knowledge by banks of the costs of no-minimum-balance accounts makes it difficult to determine whether the business is profitable. Point is made that inactive no-minimum-balance accounts can be very unprofitable in view of the cost incidental to carrying them on a bank's books. Average activity per account was found to be 10 checks and 3 deposit items, which at 5¢ per item would amount to 65¢ per month, held insufficient to enable operating institutions to cover (a) overhead, (b) cost of handling items, and (c) profit.

Alternative Proposal

As an alternative to the pay-as-you-go scheme, the commission proposes a modification of the flat-and-metered service charge, which provided for: (1) a monthly payment by the depositor of from 50¢ to \$2, if his account fell below a certain amount, and (2) an activity charge, if his checks exceeded a stipulated number. In the past, these charges have been arbitrary, and the A.B.A. now proposes that they be prorated according to the individual bank's overhead and handling costs, plus profit. The four main points:

1. For each account, the commission proposes a specific maintenance cost charge, based on the actual sum expended by the bank to handle an average checking account. Thus, if a bank's maintenance cost per account is 18¢ per month, the bank might make a charge of either that amount, or use a round figure, say 20¢.

2. To that, there would be added

A new door to PROFIT

Open it up and here is what you find: *planned application of power to machines by modern methods is a major factor in production economy.* You open this new door to profit when you install planned power transmission. What you save thereby in power costs is a net profit. What you gain thereby in production at decreased cost is a competitive advantage.

* * *

Modern Group Drive is planned power transmission predicated on the production problem of the particular plant. It is the *newer*, and properly applied, the more *efficient* of the two modern systems of power transmission — individual motor drive (a motor for each machine) and modern group drive (one motor for a group of machines). A Modern Group Drive Plan combines the advantages of both systems; recognizes the need of individual motor drive for certain single machines; specifies modern group drive where machines doing similar or progressive work should be grouped.

* * *

Modern Group Drive costs less to operate and maintain, and much less to install. You buy larger, more efficient motors with better power factor. You pay from 35% to 85% less per motor horsepower. And you need less horsepower for a given number of machines.

SEND FOR FREE BOOKLET

Our Red Book talks your language and tells with pictures and brief text why and where Modern Group Drive is more efficient and economical. Send for a copy today. Case studies are also yours for the asking. And at your call, without obligation, are Power Transmission Counselors throughout the country who co-operate with plant, consulting and public utility engineers in the modernization and installation of industrial power transmission systems.

POWER TRANSMISSION COUNCIL
75 STATE STREET • BOSTON, MASSACHUSETTS

A research association of producers and distributors of power, power units and mechanical equipment for transmitting power.



MODERN GROUP DRIVE

—the new efficient and economical way of transmitting power to machines

a charge for each check drawn and for each item deposited, based on the bank's actual handling charges per item, plus 25% to 50% to assure profit.

3. For any additional service, such as check certification, cashier's checks, or unusual collection, an additional charge would be made on a cost-plus-profit basis.

4. The sum of the foregoing three items will represent the depositor's cost in a no-minimum-balance account; but if the depositor maintains a fair bal-

ance, then the bank may allow the depositor an "income credit," computed on the basis of what income the bank derives from his deposits. The income credit may equal the service charge, but may not exceed it.

The A.B.A. makes the point that N. S. F. (not sufficient funds) checks are greater under the no-minimum-balance accounts and urges all institutions using that type of service, or any variation of it, to investigate the references of all such depositors carefully.

Use Taxes Are Valid

Supreme Court O.K. on Washington law, devised to make out-of-state suppliers pay sales tax, establishes vital new taxation principle, destined for wide vogue.

IN a case involving taxation of nearly a million dollars' worth of construction equipment used at the federal government's Grand Coulee Dam on the Columbia river, the validity of Washington's 2% "use tax" was affirmed this week by the United States Supreme Court, reversing the decision that a district court had rendered in favor of Silas Mason Co., Inc. and other contractors on the dam.

Pattern for Other States

The Supreme Court's decision may have the effect of stimulating other states to supplement their sales taxes with "compensating" levies designed to help local business compete on equal terms with retail dealers in other states who don't have to bear corresponding burdens. Four other states have use taxes: California, Colorado, Ohio, and Oklahoma.

For the construction of Grand Coulee Dam, machinery, materials, and supplies such as locomotives, cars, conveyors, pumps, and trestle steel had been purchased at retail in other states and brought into Washington. Cost,

including transportation expenses, totaled \$921,189.34. When the Tax Commission of Washington figured that the contractors, through the use of the articles, had become subject to a tax of \$18,423.78, or 2% of the total, they obtained an injunction from the district court. The Supreme Court's recent decision declared the injunction erroneously granted.

The story of the Washington use tax runs in this fashion: In 1935 the legislature enacted that after May 1 every retail sale, with a few exceptions, should be subject to a tax of 2% of the selling price. Then, in order to neutralize the advantages which out-of-state suppliers might have over local retailers, the state imposed a compensating levy "for the privilege of using within this state any article of tangible personal property purchased subsequent to April 30, 1935," at a rate of 2%, provided, first, that the property had been bought at retail, and, second, that the tax should not apply to property subjected to an equal or greater tax imposed by Washington or some other state.

Weighing the practical effects of the levy and its purpose of equalizing competitive opportunity, the Supreme Court decided, (1) that "the tax is not upon the operations of interstate commerce, but upon the privilege of use after commerce is at an end" and (2) that "the tax upon the use after the property is at rest is not so measured or conditioned as to hamper the transactions of interstate commerce or discriminate against them," hence is no violation of the Constitution's commerce clause.

"Equality is the theme that runs through all the sections of the statute," the court pointed out. "There shall be a tax upon the use, but subject to an offset if another use or sales tax has been paid for the same thing. . . . When the account is made up, the stranger from afar is subject to no greater burdens as a consequence of ownership than the dweller within the gates."

New York's Case Is Different

Lawyers for the contractors argued that the Seelig decision, in which the court ruled that the New York Milk Control law could not dictate prices on milk purchased out-of-state and sold in New York (page 27), established a precedent which the court should follow in outlawing the Washington use tax. But the court distinguished between the two situations, pointing out that "New York said in effect to farmers in Vermont: 'Your milk cannot be sold by dealers to whom you ship it in New York unless you sell it to them in Vermont at a price determined here.' What Washington is saying to sellers beyond her borders is something very different. In substance she says: 'You may ship your goods in such amounts and at such prices as you please, but the goods when used in Washington after transit is completed, will share an equal burden with goods bought here.'"

In reply to the argument that in view of the legislators' motives the tax was



Business Week photo

ALONG 30,000 MILES OF HIGHWAYS—Memorial Day has been set for the opening at Westport, Conn. of the first remodeled station along the Greyhound bus system. The old building (left) is being redesigned in the New England archi-

tectural tradition (right) and will be under the management of J. K. Sheppard as a unit of Greyhound Travel Stations, Inc. The first step covers 64 such buildings; 3,500 units including diners and service stations, will round out the program.

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a protective tariff, the opinion cautioned against "catch words" and declared that the use tax was "no clog upon the process of importation at all, any more than a tax upon the income or profits of a business." Further, it emphasized the fact that simply because a legislature taxes the use of property that has been bought, it cannot be argued, as the contractors did, that the tax is one upon the sale. Legislatures have a wide range of choice in classifying the subjects of taxation.

Justice Cardozo delivered the court's opinion, with Justices McReynolds and Butler dissenting.

Recently, on the ground that they are working for the federal government on federal land, the Mason-Walsh-Atkinson-Kier Co. and David H. Ryan have appealed to the Supreme Court to review a Washington court decision imposing a half of one per cent state occupation tax on contractors engaged in work on the Grand Coulee Dam.

Improve Bus Stops

Greyhound people undertake job of setting up a better travel station network.

FOR the past couple of years, the Greyhound bus people have been thinking about a big enterprise. This week, as conversations proceeded with other big companies whose cooperation is essential, the plan was almost ready to go, under a newly-formed operating division: Greyhound Travel Stations, Inc.

The name tells part of the story. In its 30,000-mile system, Greyhound uses 582 rest-and-lunch stops, gases up and checks buses at some of them, has for some time seen a natural hookup between the fuel and food enterprises which could be incorporated with standardization of the shelters.

Provisions for Managers

Franchises to managers of stations are part of the plan, and under the rules being set up the bus stop managers must meet certain architectural standards. (Some states, notably Ohio and Indiana, have been talking about improvement of bus stops, and Greyhound intends to go out in advance of suggestions to date.) The manager who does not own his station will be able to lease it on a 10-year arrangement, and pay for it out of his share of the receipts. Borrowing a trick from the automobile companies, Greyhound intends to replace managers who do not meet a certain standard of income (now figured at about 8% of investment).

Improvements needed range from installation of a new stove, to complete architectural redesigning and construction. Frequent inspection by company

"Sweet, eh, boss? That's the kind of turret lathe performance I've been trying to tell you about!"



**WARNER
&
SWASEY**
Turret Lathes
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men will help keep the stations up to date.

In addition to the rest and lunch stops, which are scattered over the bus system at intervals of about 70 miles, the company plans to set up what it calls "flag stop" diners, every 10 miles or so. First prefabricated diners are being built by J. G. Roy & Sons of Springfield, Mass., and will be shipped out in sections to spots selected. Prospective operation plans include ownership of the diner's plot of land by the individual manager, the diners being rented from Greyhound Travel Stations.

Extensive Project

It all makes a tremendous job, the Greyhound people admit, and they expect to take anywhere from two to five years to improve and integrate the entire system. But it looks like a natural—last year the company sold more tickets than ever before, and is expanding all the time. The accountants figure that each highway lunch room gets about half its business from buses, and that a total of 60,000,000 sales a year are made to bus passengers.

Breaking it down, they figure that each passenger spends 14 cents at a 10-minute rest stop, on the average. During a half-hour stop, he spends about 30 cents. And during his entire trip he spends 58 cents for food.

These calculations lead to the franchise charges, as planned at present. At flag stops, the franchise fee will be $\frac{1}{4}$ ¢ per passenger; at 30-minute stops it will be $\frac{1}{2}$ ¢ per passenger.

First plans call for standardizing 3,500 outlets, with some big fuel and food distributors in the picture. These are not ready to announce yet, because there are details to be worked out. But it's a large setup.

By Memorial Day, the company hopes, its first standardized stations will be operating. By next fall, it is planned to have 64 of them going. And the public be pleased.

What's in a Name?

Is it un-American for a car to be called "The Dictator"? Not at all, says Studebaker. The corporation, which chose the name in the 1920s, recently thought it advisable, in view of increasing criticism, to explain its viewpoint through an ad in a Chicago newspaper. You can call a car aristocratic, regal, imperial without offending Americans, points out Studebaker. "But Dictator—that's a fighting word," the statement goes on. "Well 'The Dictator' is a fighting car." Studebaker adds reassuringly that "there are no political implications in the name" and points out significantly that its 8-cylinder car, "the last word in luxury and performance," is known as "The President."

Business Abroad

Driving ahead on her armament program, but ready to join in peace negotiations—preferably this fall—Britain holds the answer to Europe's future.

LONDON (Cable)—In Moscow, high Soviet officials told *Business Week's* foreign editor that Britain was the key to peace in Europe. In London one is convinced that the statement is true.

No business or political leader here will admit that England is as far along in the armament race as everyone wishes, but it is generally felt that the country will be able successfully to play for all the time required to catch up with the rearmament powers on the continent. "Give us another twelve to eighteen months"—everyone seems to agree on that timing.

Back British Diplomacy

This does not mean that Britain expects to become involved in trouble within that period; it means only that London is preparing to back British diplomacy with force if necessary.

British industry is rearming but activity has not yet reached a fever heat sufficient to indicate fear that trouble is imminent. Beyond governmental scrutiny of arms orders to avoid "excessive profiteering" there appears to be no interference with private business. There is no evidence of military observers in more than a few very special plants. There exists no centralized control over any raw material except pig iron and scrap, no licensing of skilled workers despite shortages in some industries. The country is obviously parrying for time in international politics, but is making no fascistic effort to whip itself into a frenzy for an immediate emergency.

Delays on Materials

Private business is not yet affected by the government's rearmament program to anything like the extent that one sees in most continental countries. The example was cited this week of an American company which wants to build a branch here but which is being held up by inability to get materials. Bids on specifications were delivered only after four months, delivery is not promised in less than two years. If the product to be manufactured were a war essential, the story would be different.

Demand for labor, steady employment, and mounting wages are improving business in even the most peaceful lines. Brewing, for instance, is doing much better this year. So are textiles "aside from any military orders."

Accumulation of a war food supply has not yet passed the discussion stage. Stocks of foods, as well as raw materials, are much larger than a year

ago but are limited in all cases by storage facilities and financial arrangements to carry such stocks. All sorts of wild plans for creating vast underground warehouses for grain and canned foods have been proposed but experts in the food industry deny that anything of this sort has really been done.

Practically every Englishman expects taxes to be boosted somewhat this year, but rearmament bills won't really come due in a big way until 1939. One leader described this year as the "gathering" year in which groundwork for the program has been completed and the first manufactured parts assembled. Next year will be the big year in mass output of every kind of war material. In 1939 the first huge bills will come due.

Most leaders here are reticent on the two questions which most interest American business—new trade agreements and the possibility of a big "new deal" for Europe which will aim at forestalling war by improving business.

New Trade Pact Prospects

On the trade question, there is no doubt that Britain would like a new pact with the United States but official British policy may balk extensive concessions unless they become part of a much larger deal involving debts. It is significant that the British are watching the visit of Norman Davis, America's ambassador-at-large, with great interest. Though officially attending the forthcoming world sugar conference, he is expected to confer on much broader questions with statesmen both here and on the continent.

The reported bad showing of Italian troops in Spain is being given a big play in the news here but officials are

Special Reports

Which way Europe?

It is elementary that the future of world business for another decade depends on the answer to that question—an answer being germinated in conditions overseas today, in the thinking of industrial and political leaders. Not so elementary is the considered appraisal of those conditions or the accurate tracing of those significant thought patterns, and this is the job that *Business Week's* foreign editor has set for himself in the series of cabled reports which have been appearing for the past few weeks. Just as Britain herself plays the leading role in the drama of European developments, so this week's report from the tight little isle occupies a key-stone position in the entire series.

Following the usual pattern, the foreign editor's London cable is supplemented with the regular dispatches from the regular correspondents.

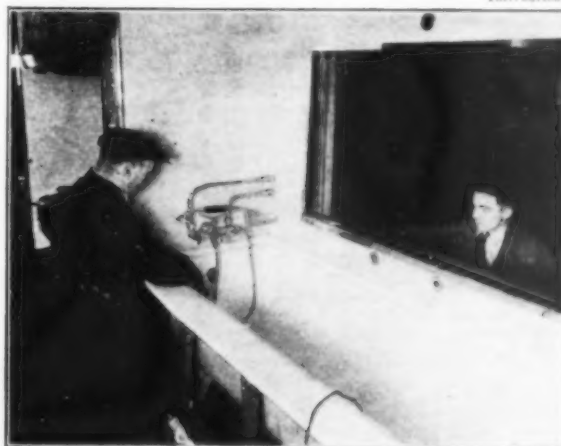
worried over the possible reactions on Mussolini. The British are fully aware that the dictator can allow few defeats anywhere along the line.

Asked when Roosevelt should time a peace proposal to be most effective, most Londoners say early this fall. Britain, they say, could wholeheartedly enter negotiations then, even if they involved the end of the arms race, for before the deal could be wound up, the British would be on equal footing with Germany. Asked what must be the feature of such a deal, Englishmen declare it must bring Germany into the picture as a full equal and with "concessions to the Reich's recognized needs," it must be so arranged as to have no semblance of charity, it must be handled by a public relations expert who can make the German populace feel it is getting all that Hitler promised in the way of a return of national prestige.

International

BATHS EN ROUTE

—When His Excellency the Maharaja of Indore travels through his Central Provinces he intends to have all the comforts of home. A bathtub, installed along one side of his British-built private car, excites the interest of the workmen on the other side of the window. The car will have telephones, cocktail bar and will be air conditioned.



Soviet Union

MOSCOW (*Cable*)—Moscow is seriously concerned over the lag in the spring sowing campaign, with the latest combined statistics for the entire Soviet Union revealing that the sown area on Mar. 25 equalled only a quarter of that sown on the same date last year.

The press reflects the Kremlin's anxiety, concentrating its attacks on the authorities in the southern Ukraine, where the lag is greatest, and warning that "a further delay in sowing will be considered a crime against the state, which does not intend to lose thousands of tons of grain through the clumsiness and helplessness of certain leaders of agriculture."

With the sowing program barely begun, the Kremlin realizes that the loss can be made good by stern measures. The warning is calculated to insure fulfillment of this year's program for a crop of 120,000,000 tons of grain, a 20% increase over last year's record.

The decree on economic plans for this year was made public this week, revealing that the uncollectivized area under cultivation this year—6,000,000 acres—is less than 2% of the total.

The cotton crop is scheduled at 2,500,000 tons, exceeding last year's crop by more than 20%.

Already possessing an agriculture mechanized on the largest scale in the world, with 400,000 tractors at work, the Soviet Union this year is adding 63,000 more. The number of combines will be brought to 118,000; grain sowers will be doubled; and cultivators tripled.

Germany

BERLIN (*Cable*)—Berlin views the Italo-Yugoslav trade agreement with mixed feelings since it opens a new market for Yugoslav products and tends to divert from Germany urgently needed supplies. Recovery of international commodity markets also causes concern since it not only forces Germany to pay higher prices for imported materials, notably rubber, but also makes overseas countries, especially South American nations, less dependent on Germany for sales of their products.

The situation is aggravated by heavy German spending for food and material purchases although an unrecorded foreign exchange reserve has accumulated as a result of the surrender of foreign currency under the recent capital flight amnesty and inconspicuous sales by the Reichsbank of impounded foreign securities. With the exhaustion of this reserve the expansion of exports becomes the only way out of a calamitous situation.

On the other hand, a world trade upturn coupled with partial elimination of Japanese competition in some overseas

markets, offers Germany a unique "export chance." Influential business circles endeavor to impress on the government the necessity for a temporary slackening in armaments and Four Year Plan construction schemes in order to improve supplies of deficient materials for the export industry. These efforts have already succeeded in the case of steel, and a greater allocation for export orders is definitely promised.

The sharp rise during February of automobile exports was partly attributed to United States strikes. It involved purchases by foreign General Motor's dealers from Opel (largest GM owned German manufacturer) in order to safeguard their deliveries.

France

PARIS (*Wireless*)—Parliament has voted to raise the salaries of lower paid government clerks, mostly by cancelling former reductions. The chamber voted by a small majority a bill fixing maximum hotel rates at 25% above 1936 plus an adjustment for increased cost of living but the Senate's vote is still questionable.

The rise in prices of necessities stopped during March. Unemployment continues to decline.

The Italo-Yugoslav non-aggression pact, recognizing the new Ethiopian set-up and settling existing political disputes, is considered very favorable to Yugoslavia since it increases materially Italian purchases. The move cancels Italian support of Hungarian revisionism against Yugoslavia and concentrates this revisionism against Czechoslovakia, now tightening relations with Austria.

Canada

OTTAWA—Through the intervention of Federal Labor Minister Norman Rogers, Canada has avoided a railroad strike that would have tied up both big roads. The threatened strike involved demands for restoration of a 10% wage reduction made during the depression. A conciliation board had recommended restoration of 3% with the balance to be granted as earnings improved. Rogers intervened and obtained an agreement for the return of the entire deduction at the rate of 1% every two months. Some 117,000 men are affected.

The outstanding current business development is an advance in the newsprint contract price from \$42.50 to \$50.00 a ton. Big producers are adopting this price in what has become a sellers' market. It is reported that contracts are for 6 months instead of 12 as previously, and an advance to \$60.00 is forecast for the next contract period. Demand for sulphite exceeds supply. Newsprint and sulphite company bonds and stocks are rising.

Alberta's Provincial Premier, William Aberhart, was blocked in his legislative program this week by a revolt of his Social Credit followers in the legislature. They demand immediate inauguration of the Social Credit plan. Aberhart, concerned for provincial credit, pleads for delay. Outside observers hope the division in Social Credit ranks may lead to the return of Alberta to orthodox economic faith.

Sit-down strikes in United States are encouraging Quebec Premier Maurice Duplessis in his restrictive program against communism. Among laws just passed one provides for the padlocking of buildings from which communist propaganda is circulated. Duplessis has also introduced a child-labor law by which the government may forbid the employment of children under 16. The Ottawa government declares it will use Royal Canadian Mounted Police if necessary to prevent sit-down strikes and is establishing a police reserve of 3,000 men.

Great Britain

LONDON (*Cable*)—Easter was the first holiday of the year that displayed a good spending mood but the cheerful tone was marred by the probability of serious strike trouble among the Scottish engineers. This disaffection may spread throughout the rearmament firms. As with minor aircraft strikes and others the strike lacks the sanction of the union, being called by the men themselves.

The political outlook is marred by the new anti-Britain outburst from Mussolini and the inability to perceive any possibility of a Western European pact with Hitler unless the Franco-Soviet agreement is abandoned—a move France will refuse to make. It is believed that the defeat of Italians in Spain will force Il Duce to dispatch further legions despite his non-intervention agreement.

The commodity boom worries authorities who are unable to devise any check other than instructing banks to limit their advances to speculators which is ineffective, in view of the fact that money is coming from Europe and the United States. Economists are worried by the profound effect of the higher cost of living on labor demands and the increase in the adverse foreign trade balance payments at the year-end.

Latin America

ARGENTINA is threatened with a boom. Exports of wheat and corn are 'way up. So are railroad receipts and government collections.

On March 20 the National Grain Board at Buenos Aires warned that wheat shipments had become so heavy that an embargo might be necessary to

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safeguard supplies for seed and local consumption. January exports were 796,000 tons, February 850,000, March (up to the 18th) 531,000; total 2,177,000 tons. Normal shipments would be about 1,300,000 tons.

Apprehension has grown with disclosure of heavy chartering commitments which would indicate April exports of 700,000 tons. Exportable balance at the end of April is estimated at 500,000 tons, a dangerously low figure. European demands resulting from short crops and a stock-up against war threats is the principal cause.

Flush Times

Much of remaining stocks is in the hands of growers who are exulting in high prices. In Rosario and throughout the grain belt the reaction is reminiscent of similar times in the United States. Thoughts of the fortunate turn first to automobiles—with not a new American car for immediate delivery.

Argentina's favorable trade balance for January and February was 359,775,000 pesos (\$120,000,000). American trade gains suggests that it may oust Britain from first place as a supplier of goods to Argentina. Imports from the U. S. were 17% of the total, a rise from 14% for the same months of 1936. British imports dropped from 22.5% to 19.3%. Germany is third in the list from which Argentina buys and seventh in her export market. The two months' exports of 555,278,000 pesos broke all records.

Soviet Saddles Blame on Saboteurs

With production in U.S.S.R. heavy industries lagging behind last year, far below planned levels, Commissar Mezhlauk launches drive to rout out sabotage.

MOSCOW (Cable)—Clean out the saboteurs! An intensive drive with this objective is under way in Soviet industry, where efforts at sabotage have not ceased even after the recent trials.

Except for tractors, salient branches of heavy industry are lagging behind the quotas for the first quarter of the year, and the Kremlin is determined to liquidate the wastes, wrecking, and breakdowns which are impeding production.

Extensive sabotage is still going on in the chemical, coal, oil, metallurgical, and defense industries, asserted Commissar for Heavy Industry Valery I. Mezhlauk in a recent address to industrial leaders. Furthermore, the department of the interior—the former Gay-Pay-OO—has dug up evidence that wrecking has been carried on in the power industry for many years. Last year accidents occasioned a loss of over 12 million kilowatt-hours.

Typical techniques, according to Mezhlauk, include the wasting of funds assigned for capital construction, ignoring safety measures which might have prevented costly breakdowns, falsifying reports to prevent exploitation of new resources, and sabotaging construction of workers' living quarters to arouse dis-

content. The Commissar exhorted industrial executives to welcome criticism as an important factor in routing out the saboteurs.

Supporting the statements of Mezhlauk, as well as those of his newly-appointed First Vice-Commissar, Zavenyagin, is new evidence of sabotage piled up by other industrial leaders—in Moscow's "Atalin Autoplant," the former AMO, where arrests of an alleged foreign spy and his Russian accomplices have been announced; in the erection of one of the most important nickel plants; in the synthetic rubber industry; in the erection of coal washing plants in the Donbas; and in the Baku and Emba oil fields, where fires and accidents caused great damage.

Drastic action to stamp out sabotage in transportation was undertaken recently when Lazar Kaganovitch announced the formation of a nationwide organization for Soviet railways to control and check up on the fulfillment of safety regulations and to ferret out wreckers.

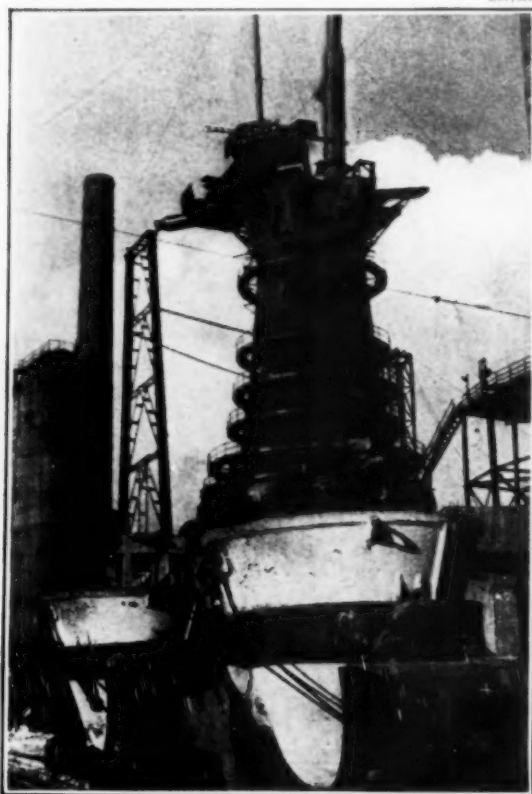
During January and February production in the major sectors of heavy industry, except tractors, failed not only to fulfill the 1937 quotas but even to equal production in the same period of 1936. Some of the shortages, indicated in percentages, are: coal, 12%; steel, 15%; pig iron, 15.5%; electric power, 7%; freight cars, 18%; and oil and mining, 20%. The early figures for March showed a slight rise, but production still fell short of the program.

Causes of Shortages

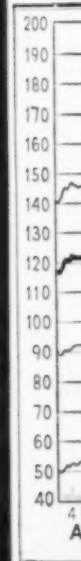
The government's explanation of the shortages is that managers have failed properly to organize production and have not crushed out sabotage. Other contributing causes (not officially mentioned) include the recent removal from industry of high officials accused of Trotskyism, plus the establishment of too high a goal for the year.

Despite the lag, production slightly exceeds the original figures of the planning commission. The government, however, prefers to raise Cain over the non-fulfillment of the current plans, in order to stimulate a further advance.

The new First Vice-Commissar for Heavy Industry, Zavenyagin, appointed to succeed Piatakov, formerly was the head of "Giprometz," the institute for design and construction of metallurgical plants. In this capacity he was in extensive contact with American engineers who supervised the construction of Russia's largest metallurgical plants.



ADDING TO SOVIET STEEL CAPACITY—With American and British iron and steel makers working at or near capacity, Soviet planners continue to expand the metallurgical industry. At the Azov Steel plant named after Ordzhonikidze, in Mariupol on the Azov sea, a new blast furnace is erected in addition to the other two in operation.



Money and the Markets

Commodities splurge anew with spot cotton hitting 15½¢ a lb. despite the prospect of substantially larger plantings this spring. Stocks perform creditably, but government bonds spill out again.

COMMODITY markets have had their weak moments lately, but they have again served notice that the upward momentum is far from spent. This was strikingly demonstrated on Tuesday when many quotations swept into new high ground for the last six or seven years and price indexes for both futures and spot markets attained new highs for the recovery. Later profit-taking was fairly well absorbed.

Two of the most conspicuous performers of recent weeks have been cotton and rubber. Spot cotton in New York hit 15½¢ two weeks ago (BW—Mar20'37, p.64) and then met profit-taking. For several days prices sagged but then there was a new wave of buying which carried the New York quotation up to 15½¢ a lb. (\$76.25 a bale of 500 lb.). Cotton futures followed the spot price upward but the best showing was made by the closer deliveries—the contracts which will be filled before new crop cotton begins to come to market next August. May and July deliveries, for example, command an advantage of \$5 to \$3.50 a bale over October. Reasons for that spread are: (1) pressing demand for nearby supplies of cotton from the textile industry, and (2) fears that larger quantities will be available when the new crop is ginned.

Larger Crop Seen

Of course, speculation as to how much cotton there will be after next August falls into the category of long-range guessing. A good part of the crop isn't even seeded yet. But the trade has its little advance indications, and they point to a larger crop than the 1936-37 total of 12,407,000 bales.

One of the indications is the number of farmers who sign up with AAA

to conserve the soil. Present prices are high enough to make it a safe bet that the sign-up won't be as large as last year (when a little over 30,000,000 acres of cotton were harvested).

Seeding to Top 1936

Another item the trade watches is the acreage in the 10 main cotton states planted to other crops. The Department of Agriculture has sounded out farmers on their planting intentions in everything but cotton and it appears that the South plans to seed 700,000 fewer acres to other crops than it did last year. Moreover, although more winter wheat has been planted in Texas and Oklahoma, some of it will be abandoned and a part of that land will revert to cotton.

Yet, even if the crop should run above 13,000,000 bales, the market doesn't seem to be much worried, for distant futures still command pretty close to 14¢ a lb. in New York. One reason is that this season's consumption is on the way to topping 13,000,000 bales by a good margin which is in encouraging contrast to the use of about 12,500,000 bales in the 1935-36 season.

Big Trade Deficit

February, normally a slim month in the United States' foreign trade, hung up more new highs since 1930 than you can shake a stick at. Most conspicuous of all was the largest "adverse" trade balance in the nation's modern history—an export deficiency as compared to total imports of \$45,000,000.

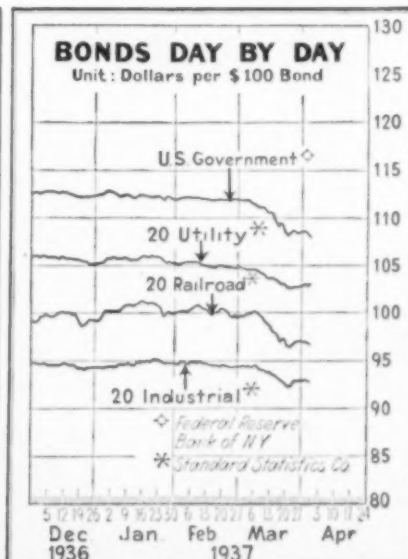
The United States' merchandise exports for the month totaled \$252,504,000, a figure which has been exceeded only in three months since 1930—March, 1931, November, 1935, and October, 1936. But, against that tidy batch of sales abroad, this country's purchases reached the imposing aggregate of \$277,805,000, the largest since May, 1930, the Department of Commerce reports.

Total foreign trade in February (the sum of exports and imports) was \$510,309,000. That figure is the highest since \$574,263,000 was chalked up in October, 1930, and it compares with \$450,232,000 in January and with \$477,900,000 last August, the largest month for 1936.

Excesses of imports over exports, familiar for two years, are a phenomenon which has developed in this day of reciprocal trade treaties, and the largest for any month prior to February had been \$21,800,000 last August. January's export deficit was \$18,846,000. Drought shortages, and largely increased purchases of textile products and rubber have been boosting imports this year.

Another sustaining factor is the knowledge that the Commodity Credit Corp. will be standing ready to make storage loans next autumn. This means orderly marketing, for if CCC finds supplies of cotton piling up and depressing the market it will lend the market price or a little better to producers who will then store for later sale.

Incidentally, the CCC will be in the





RUSHING TO MARKET—Farmers "down under" in Australia are speeding threshing and shipping to catch the high prices available in boiling world wheat markets.

International

best shape in years to loan on next season's crop. Fifteen months ago it held 4,400,000 bales of 11¢ and 12¢ loan cotton. It has just completed its third sale out of those storage stocks (by returning the cotton to borrowers who will pay their loans, plus certain charges, and take the cotton away). It appears that this latest sale, which started Feb. 1 and ended Mar. 31, has disposed of about 1,000,000 bales and that scarcely 2,000,000 remain in hock.

The principal drag on the cotton market right now is the fact that export demand again is lagging after a spurt in January and February. Over the first half of March, exports fell about 150,000 bales short of the record for the comparable period of 1936. For the first eight months of the season, foreign takings totaled 4,586,913 bales against 5,032,124 for the same 1935-36 period.

Cartel Has Troubles

The rubber market is still up against the problem of controlled supply—although quotas have been relaxed, supplies still haven't moved to market—and steadily expanding consumption. Just when quotas had been advanced far enough so that the foreign cartel hoped supplies shortly would be catching up with demand in consuming centers, strikes broke out on the plantations, and provided the impetus for another buying spree on the part of rubber bulls here and abroad. New York futures got well above 27¢ a lb. (the depression low was down around 3¢) while spot market prices for latex crepe climbed to 31¢.

Owners of motor cars know full well what rising rubber prices have been doing to the cost of tires, and P. W. Litchfield, Goodyear Tire & Rubber chief, told stockholders this week

a further advance is certain if crude rubber prices keep going up.

Another interesting commodity situation is that which has developed in sugar. World demand is good with prices on New York's "world" contract (No. —4) running from 1.3¢ to 1.4¢ a lb., a gain of 25% this year.

But the domestic market has been sour ever since Sec. Wallace sponsored the excise tax. Cuban raws for United States use, which sell 0.9¢ below the domestic quotation because they pay a duty of that amount, now are double the world price, selling around 2.5¢ to 2.6¢ a lb. However, at the start of this year they commanded 3¢. Thus prices here have been depressed 0.4¢ a lb. while foreign prices have been going up 0.3¢. Thus, even if domestic producers are to be paid the proposed 0.7¢ a lb. in federal benefits, they would appear to be getting no more for sugar than they would have if the market had been given free rein.

Stock prices have given a pretty good account of themselves in recent sessions after the jitters of the preceding ten days. Bonds, however, seem to be suffering from an utter absence of demand.

Governments Down Again

The biggest trouble in the bond market continues to lie in the Treasury division. There were a few days of composure but the modest recovery in prices at the end of last week seems simply to have invited banks and other institutional holders to scalp whatever modest profits may still have been available. The previous shake-out had been too severe for anyone to expect any sudden stability. This week there were further declines running to well over a point and support buying was none too convincing.

Success Story

Sears and Ward mail order houses both hit all-time highs for sales, earnings, dividends.

THE financial story of the year ended last January is one of exuberant success, with a capital S, for the two big mail order companies—Sears, Roebuck & Co. and Montgomery Ward & Co. It's something more than just recovery, for that had come earlier; last year saw new all-time peaks for sales, earnings, and dividends.

The two organizations turned in sales for 1936 totaling just over three-quarters of a billion dollars—\$494,968,022 for Sears and \$361,297,059 for Ward compared with \$417,080,465 and \$293,042,357, respectively, in the previous fiscal year. Their record net earnings were: Sears, \$30,660,198 against \$21,519,218, and Ward, \$20,198,914 against \$16,837,310.

The record for each company is similar—a sharp slump in sales from 1929's record to the depression low, and an even more rapid comeback. Sears, for example, recorded peak sales of \$443,452,640 in 1929 and the subsequent drop was to \$289,289,547 in the year ended Jan. 29, 1934. From the bottom, volume of business has rebounded a little over \$200,000,000 to last year's figure.

Climb Out of Red

Montgomery Ward, similarly, recorded its best pre-depression volume at \$267,325,503 in 1929. From that level sales fell to \$176,488,690 in the 13 months ended Jan. 31, 1933, then rocketed to a new high of \$293,042,357 in the 1935-6 fiscal year, and to \$361,297,059 in the year recently ended.

The story on earnings is very similar to that for sales. Sears set its pre-depression high in 1929 at \$30,057,652 and Ward's best was \$17,703,835 in 1928. Both companies splashed about in red ink for a year or so at the low point, and then started the steep climb which resulted in last year's records.

They got to these high levels just in time to encounter the undistributed earnings surtax, so each paid out very nearly all its total net in the form of dividends. It goes without saying that each footed a record tax bill. And both companies, confronted with the need for added working capital to handle larger inventories at rising prices, went to shareholders for the needed money, offering stock purchase rights.

The annual statements of both companies carry brief references to the future, and both look ahead with optimism tempered by dignified restraint. The companies' appraisal of their business in the months to come, however, is mirrored in their balance sheets.

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Sears closed last year with inventories totaling more than \$97,000,000. That figure is almost exactly \$19,000,000 above the same item at the close of the preceding year and at the end of 1929. Receivables, less reserve, were just under \$54,000,000, double the year before and \$20,000,000 above 1929. Current assets were \$167,500,000, about $5\frac{1}{2}$ times current liabilities, and net working capital nearly \$137,000,000.

Incidentally, Sears is doing an increasing instalment sales business. A gain in these balances of \$22,000,000, or nearly 68%, was recorded in the last fiscal year, and the total of time sales has reached an impressive figure as it amounted to pretty close to 20% of aggregate volume.

Montgomery Ward's merchandise inventories rose last year by nearly \$22,000,000 to \$148,700,000, and were \$20,000,000 above 1929. Receivables, less reserve, were up nearly \$11,000,000 to more than \$44,300,000. Total current assets rose \$34,000,000 to \$148,700,000 and are almost exactly five times quick liabilities, while net working capital stood at \$118,800,000.

Sales for the first month of the new fiscal year—February—carry one step further this story of expansion. Ward came through with \$22,160,565, a gain of 24.1%, and Sears' total of \$30,725,423 for the four weeks ended Feb. 26 was 20.3% ahead of the same month a year ago.

Boomerang—Not very long ago there was a company which wanted to raise some money and the management let the rumor get around that stock rights were contemplated. Time was when rights were welcomed by stockholders, but in these days of the undistributed profits surtax, they aren't so popular; in fact, more stock has come to worry the market for fear of dilution of capital. So the company's stock sagged in price, and the plan to offer rights was officially dropped.

The alternative was to sell some bonds. The company was doing right well and the earnings trend was upward. Moreover, it was before the crack in bond prices. So the management decided to shop around and see which investment banker would make the best deal.

This is more or less in line with the suggestion of W. O. Douglas, Securities and Exchange Commission member, that corporations sell securities on competitive bids (p.34). But here is one case where it didn't work out so well. The company had its own idea of the price it should receive, and the bond houses—worried about the market—had theirs. Just about every big financial house had a crack at it, and before the shopping was over nobody wanted the deal at the price asked.

Thus too much competition seems to

have spoiled the bargaining. The Street has fallen into the frame of mind—without justification—that the company in question is trying to sell a bill of goods. The borrower will get its money, but it will realize that it no longer is operating in a seller's market.

A Pattern?—England's industrial recovery got under way earlier than that in the United States; consequently observers here have not been surprised when domestic financial developments followed, with a moderate lag, events in Great Britain.

Bond investors, thus, may take more than passing interest in the announcement that British Treasury 3-month bills have been sold at the lowest interest cost in two years. The discount on last week's bill issue was equivalent to 0.497% interest, compared with 0.504% the previous week. This bill rate, which is barometric of the cost of short-term money in England, has been declining for more than a month.

The question which naturally arises is: Will this experience be duplicated in the United States? It is remembered that the break in Britain's $2\frac{1}{2}\%$ consols preceded the drop in U.S. Treasury bonds by almost exactly a month. The sharp recession in consols was watched in England as a possible indication that it wasn't going to be so easy to keep interest rates from hardening, just as the drop in governments here was viewed as the possible precursor of dearer money.

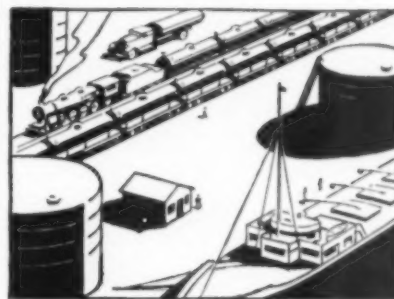
But, since consols have been steady to firm for five weeks, and since the short-term money rate in England has eased, dealers in this country are looking closely for development of any similar symptoms over here.

Credit Control—There are occasional indications that the Treasury and the Federal Reserve authorities are intervening to arrest the stiffening of money rates. The first step was by the Treasury which was reliably reported to be buying government bonds for various federal investment accounts. (Reports on this activity are monthly and somewhat belated, so that exact figures on Treasury support for its own issues on the dips are not at hand.)

More easily determined is the support accorded long-term bonds by the 12 Federal Reserve banks. They haven't altered their long standing holding of \$2,430,000,000 in government bonds, but they have been doing some fairly significant shifting in maturities.

The most important change probably is in bonds due in five years and up. The 12 banks had \$478,908,000 of these longer maturities in their portfolio on Mar. 10. Next week the amount was up \$56,043,000 to \$534,951,000, and on Mar. 24 it had risen \$41,809,000 more to \$576,760,000.

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"Thousands of people carry my ads around voluntarily! My ads are imprinted on AUTO-POINT pencils! The easiest pencil in the world to write with; has the 'Grip-Tip'; leads can't wobble; it always works! Prospects and customers see my message every time they write—they can't forget me when they buy in my line!—That's what firms everywhere say! Find out why! Send for '37 Sales Plans' and samples (on your letterhead)."

Autopoint Company,
1001 Foster Avenue,
Dept. BW-4, Chicago, Ill.

Autopoint

HERE'S HIS SECRET!

The Better Pencil

Thus, by "switching" and letting short maturities run out, the Reserve banks supported the government bond market to the tune of \$97,852,000 in two weeks.

Of course, if the Reserve authorities want really to ease credit, they can add to that total holding of \$2,430,000,000 in governments. But that would be an extreme measure, and wouldn't dovetail perfectly with the control-the-boom theory. If and when they take on more governments, it will be news.

Meanwhile the Federal has exerted a further influence on short-term money rates. When bankers' acceptance quotations were advanced by dealers for the fourth time in 1937 last week, the Reserve's buying rate was duplicated. The Federal could have gone along with the rise, and made room for further markups, but it didn't. It held its rate at $\frac{1}{2}\%$, thereby imposing a ceiling. Moreover, to make it emphatic, the system bought \$231,000 in bills.

Trilemma—The market has been giving investment advisors the heebie-jeebies. Clients never like to see profits ebb away, even though they insist they are strictly investors. Most persons are investors only so long as stocks are going up. Then they are willing to hold on. But let shares twitch downward and the so-called investor takes either a run-out powder or a headache powder.

That ever-onward, ever-upward investor psychology puts conservative investment counsel on the spot. To change an investment position, three decisions must be made and each must be a correct decision. First, the advisor must decide that the market is at or near its temporary high. Then he must ponder all the time it's going down whether or not it's at bottom. Finally,

he must pick the bottom so as to resume his long position. One misstep on any decision, and the pains and efforts of trying to take advantage of the decline might go for naught.

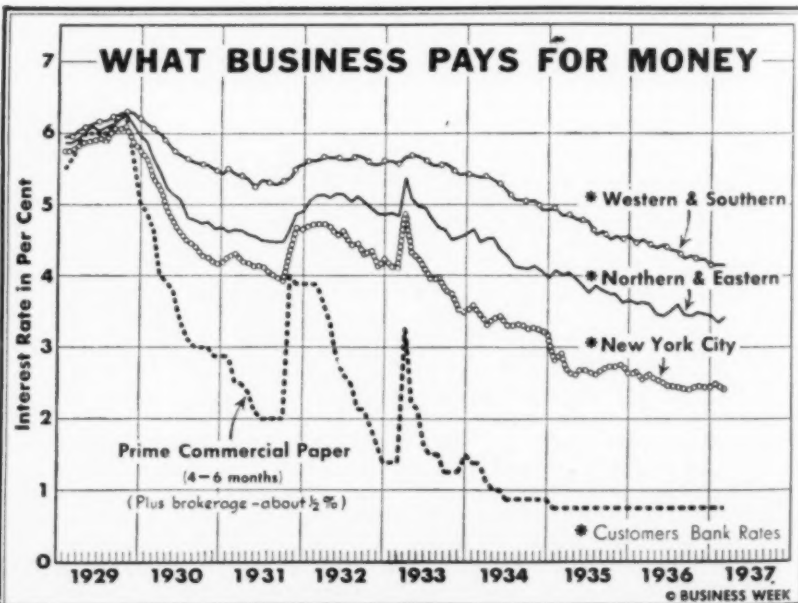
Going Up—Electric Bond & Share Co., announcing that it cannot in its present form continue to function if the Public Utility Act of 1935 is sustained in its major provisions and purposes, announces it will appeal the decision of Judge Julian W. Mack directing it to register (*BW*—Feb 6 '37, p. 20).

Judge Mack didn't consider the constitutionality of the law with its "death sentence." He just upheld the sections compelling holding companies to register. But Bond & Share feels that it cannot register without risking dismemberment. That was its contention when Judge Mack was hearing the case, and the utility sticks to its guns.

The next step will be for Bond & Share and the plaintiff, the Securities and Exchange Commission to try to bypass the U.S. Circuit Court en route to the Supreme Court—a long way off.

Business Rolls—Carloadings may no longer enjoy quite such a high place as they once did as a business index, but the significance of recent freight figures is not to be denied. Not only has every week in 1937 shown a gain over 1936, but from Jan. 9 to Mar. 20, inclusive, only the lowest 1937 week has been poorer than the best of the same 11 weeks last year.

Loadings for the 12 weeks ended Mar. 20 show a gain of more than a million cars over the like period of the previous year, totaling 8,337,530 against 7,307,048, up better than 14%. All by themselves, the first three weeks of March contributed a gain of more than 422,000 cars, an increase of 22%.



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Editorially Speaking—

A NEW YORK bank messenger has been awarded workmen's compensation for a back strain incurred on Nov. 11, when he carried 10,000 pennies from one branch of the bank to another. Probably the money was used to pay an election bet.

IN Butler, Pa., when one of Adolph Herrmann's employees buys anything in a store, he hands the salesman a card with this on it: "Because I am employed by Herrmann's Food Store at 415 West 10th Street, I am able to make this purchase. I trust that you will return the favor when you are in need of groceries." It's a neat advertising scheme, unless all the other stores in Butler start imitating it. Or perhaps a salesman in a shoe store will buy his groceries from one of Herrmann's competitors, and hand the salesman a card reading: "Because I don't want to have customers bothering me with their advertising when I sell goods to them, I am making this purchase here instead of at Herrmann's."

THE American Can Co. is distributing a set of 75 abstract cards, each telling what vitamins are to be found in a certain canned food, and what effect they have. The top card reads:

VITAMIN C IN COMMERCIAL CANNED SAUERKRAUT JUICE

Reference: The Value of the Chemical Titration Method in Determining the Vitamin C Potency of Certain Food Substances. N. B. Guerrant, Russel A. Rasmussen and R. Adams Dutcher. 1935 J. Nutrition 9. 667
Canned sauerkraut juice was found by titration with 2,6-dichlorophenolindophenol to contain 0.082 mg. of ascorbic acid per milliliter. The calculated minimum protective dose for guinea pigs was 6.2 ml.

On the basis of these data canned sauerkraut juice may be considered a fair source of the anti-scorbutic vitamin.

We confess we haven't gotten below the top card, but we'll keep the set handy in case we want to titivate ourselves mentally and scour that scorbutic feeling with titratory titillation.

"MANY gloomy words in the English language begin with the letter 'd.' For instance: depress, disease, demon, dull, doom, dread, damn, dump, dirt, dark, drown, droop, despair, defeat, desolate, disaster, dirge, death, and dungeon." "Seasickness is unknown to deaf persons." "U. S. takes about 75% of the world's production of diamonds."

All this is from "Odds Without End," a monthly folder of miscellaneous information and misinformation that somebody gets together and prints for several insurance agents, each of whom sends the thing out to his customers and prospects, under his own imprint, and with this moral: "My business—in-

surance—often hangs on a slender thread of memory, which this bulletin published at regular intervals is intended to strengthen." In other words, don't forget to remember your insurance and me.

THAT dread letter "d" also stands for daffodil and daisy and darling and delicious, and "h" is for all the holes you can pick in the facts in the folder. But—so what? The folder is an effective form of reminder advertising.

"If you would smoke the Best, smoke 'My Dear' cigarettes." Ad of the Hwa Ching Tobacco Co. in the *China Weekly Review*. Back around 1890 "My Dear" might have been a selling name for a cigarette in the United States; and for all we know, it was. But today no American cigarette could sell if its name suggested Victorian sentimentality. It has to have a dash of paprika—a smack of Mae West, Jean Harlow, Myrna Loy, William Powell, Park Avenue, the Barbary Coast, Paris, the Riviera, and Shanghai. But out in Shanghai, the smoker's ideal isn't sophistication. It's the sweet cool cleanliness of the West, the Longfellowism and Mary Pickfordism of our bygone days.

THE old "Spanish prisoner" game reappears with a new and ingenious modification, in letters received by many Americans from Spain. The writer this time is not a Spaniard, but, according to his story, an Italian. He says he came to Spain as a colonel of Black-shirts in Gen. Bergonzoli's division, which is a part of Mussolini's army of 75,000 under the command of Gen. Mangini. Now he has been captured by the Spanish government, which also seized his baggage, including a trunk that has a false bottom in which he had hidden his whole fortune, \$300,000. But his captors don't know the money is there. For \$1,500 he can get his trunk released. Will the recipient of the letter kindly send the \$1,500, and accept in return one-third of the \$300,000, plus the guardianship of the prisoner's beautiful daughter, who is 16 years old and lives with a widowed aunt in Rome?

If the first letter doesn't get an answer, there are follow-ups. But in some cases the first letter has wangled \$1,500 out of American suckers.

THE trolley fare in Brooklyn is a nickel, and we notice in the house organ of the Brooklyn-Manhattan Transit Corp. that a woman who left her handbag in a trolley car has sent five dollars to the motorman who found it and had it returned to her. His name is Christian Nickel.

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BUSINESS WEEK

The Journal of Business News and Interpretation

APRIL 3, 1937

Rising Prices and Sound Policy

Rising commodity prices are the subject of general business concern, and in some quarters, concern borders on alarm. This is as it should be. For, if the price tendency continues to the danger point, it will be so because thousands of corporations and countless business executives do what seems slick and opportune in taking advantage of a temporary tendency which, if unbridled, can bring grief to all of us.

Those who can, should remember the events of 1920 and 1921. Here was a full-fledged panic which was almost exclusively the result of a heedless commodity boom, occasioned not so much by an extraordinary consumptive demand for goods as by excessive buying predicated on a panicky fear that prices would be higher tomorrow and that goods might not be available even at the advanced price.

In ten months, Moody's spot index of fifteen commodities has risen from 160 to 220. This index is composed of base commodities which are most susceptible to speculative influences and is not representative of the cost of living. But it is distinctly representative of the commodities which dominated the post-war boom that brought about the panic.

A *Business Week* survey of the balance sheet of 200 leading industrial corporations shows that at the end of 1936 aggregate inventories were slightly higher than in 1929. It is true that these are the large companies which survived seven years of depression. They have expanded somewhat by consolidation and otherwise. It is possible that their inventories are intended today to serve more customers than in 1929, but it is still a matter of concern that these inventories are higher than at the peak of the most excessive production this country has ever known.

One must not overlook, of course, certain factors which tend to contribute safety to the situation, although he would be slightly naïve if he assumed that a recollection of fingers burned in previous panics is sufficient protection. Prices of materials, labor and parts have been increasing altogether too rapidly in recent months, but this does not necessarily mean that all of those increases will reach

the ultimate consumer. For one thing, production costs are lowered in some measure by the fact that capacity operations spread capital costs and overhead over a much larger volume of goods. In some industries, such as the railroads, this is an important factor. Furthermore, it is to be remembered that any conclusion drawn out of the fact that the price level in the United States is but 9% lower than the average of 1929 must be tempered by consideration of the fact that the gold content of the dollar has been reduced.

Annual reports of leading corporations for last year provide a splendid cross-section of the forces that are contributing to the advance in commodity prices. One after another, responsible executives report to their stockholders some measure of concern over the rising price tendency, and explain the growth of inventory and the lack of cash as insurance against inflation.

Business did the same thing in 1919 and 1920. Purchasing agents, under executive direction, bought largely more than they needed from day to day, not only to assure themselves necessary supplies, but too often in search of inventory profits. Eventually, the situation became so tight that they bought three times as much as they needed, hoping that one-third of their orders would be filled. Then came the evil day when all of their orders were filled. That day began the collapse that crippled business, almost ruined American agriculture and shook the foundations of our banking structure.

There is a hazard in this business that is not measured in terms of immediate business losses. It is the hazard of destroying public confidence. By taking the easy way in those post-war years, by generally, even if unconsciously, adopting a "customer be damned" attitude, business sowed the first seeds of suspicion, resent-

ment, and even destruction, which it began to reap in 1929.

Now, if ever, the slow way and the sure way is best. Business can grab the most advantage that can be had out of fortuitous circumstances, but the safe way is to increase profits and insure the future by taking larger earnings out of selling more units at a less cost, by investing a considerable number of today's easy dollars in keeping present customers happy, and providing public confidence and respect for leaner days.

Fair Trade Laws Bite Their Masters

Human nature being what it is, practically every line of business resents the activities of its competitors but demands a free hand for itself. The dairymen have long handicapped margarine by clapping a punitive tax on it. Some coal operators are now proposing a similar tax on fuel oil. Independent retailers insist on taxing or wholly abolishing the chains. But the most instructive example of all is in the drug business; for independent druggists are both goring somebody else's ox and getting their own ox gored.

In the first place, they have been the strongest force behind the Robinson-Patman Act, the price-fixing "fair trade" acts, and similar legislation. In this fight they have acted as the small fellow opposing the big fellow, and they have had plenty of help from other independent retailers who belong in the small fellow class. But on another front other members of the same class have attacked them.

Restaurant men in Colorado have succeeded in procuring a state law forbidding druggists to serve food unless they completely separate the lunch counter from the rest of the store by a partition. The druggists fought this law all the way to the United States Supreme Court, which sustained it. Now similar bills have been introduced in the legislatures of several other states, and the druggists are anxiously opposing this effort of the restaurant men to erect a legal bulwark against honest competition. All these bills should be defeated. So should similar bills intended to help one industry by hurting another.

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APRIL

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the ultimate consumer. For one thing, production costs are lowered in some measure by the fact that capacity operations spread capital costs and overhead over a much larger volume of goods. In some industries, such as the railroads, this is an important factor. Furthermore, it is to be remembered that any conclusion drawn out of the fact that the price level in the United States is but 9% lower than the average of 1929 must be tempered by consideration of the fact that the gold content of the dollar has been reduced.

Annual reports of leading corporations for last year provide a splendid cross-section of the forces that are contributing to the advance in commodity prices. One after another, responsible executives report to their stockholders some measure of concern over the rising price tendency, and explain the growth of inventory and the lack of cash as insurance against inflation.

Business did the same thing in 1919 and 1920. Purchasing agents, under executive direction, bought largely more than they needed from day to day, not only to assure themselves necessary supplies, but too often in search of inventory profits. Eventually, the situation became so tight that they bought three times as much as they needed, hoping that one-third of their orders would be filled. Then came the evil day when all of their orders were filled. That day began the collapse that crippled business, almost ruined American agriculture and shook the foundations of our banking structure.

There is a hazard in this business that is not measured in terms of immediate business losses. It is the hazard of destroying public confidence. By taking the easy way in those post-war years, by generally, even if unconsciously, adopting a "customer be damned" attitude, business sowed the first seeds of suspicion, resent-

ment, and even destruction, which it began to reap in 1929.

Now, if ever, the slow way and the sure way is best. Business can grab the most advantage that can be had out of fortuitous circumstances, but the safe way is to increase profits and insure the future by taking larger earnings out of selling more units at a less cost, by investing a considerable number of today's easy dollars in keeping present customers happy, and providing public confidence and respect for leaner days.

Fair Trade Laws Bite Their Masters

Human nature being what it is, practically every line of business resents the activities of its competitors but demands a free hand for itself. The dairymen have long handicapped margarine by clapping a punitive tax on it. Some coal operators are now proposing a similar tax on fuel oil. Independent retailers insist on taxing or wholly abolishing the chains. But the most instructive example of all is in the drug business; for independent druggists are both goring somebody else's ox and getting their own ox gored.

In the first place, they have been the strongest force behind the Robinson-Patman Act, the price-fixing "fair trade" acts, and similar legislation. In this fight they have acted as the small fellow opposing the big fellow, and they have had plenty of help from other independent retailers who belong in the small fellow class. But on another front other members of the same class have attacked them.

Restaurant men in Colorado have succeeded in procuring a state law forbidding druggists to serve food unless they completely separate the lunch counter from the rest of the store by a partition. The druggists fought this law all the way to the United States Supreme Court, which sustained it. Now similar bills have been introduced in the legislatures of several other states, and the druggists are anxiously opposing this effort of the restaurant men to erect a legal bulwark against honest competition. All these bills should be defeated. So should similar bills intended to help one industry by hurting another.

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